

Agency Proposed Budget									
Budget Item	Base Budget Fiscal 2000	PL Adjustment Fiscal 2002	Base New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Adjustment Fiscal 2003	Base New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03	
FTE	2,116.66	62.14	48.00	2,226.80	65.80	49.25	2,231.71	2,231.71	
Personal Services	80,918,034	10,852,406	1,680,608	93,451,048	11,374,333	1,738,517	94,030,884	187,481,932	
Operating Expenses	321,866,888	39,075,699	2,540,477	363,483,064	47,828,045	1,819,803	371,514,736	734,997,800	
Equipment	1,308,305	313,437	79,122	1,700,864	(35,063)	23,896	1,297,138	2,998,002	
Capital Outlay	12,319,921	0	0	12,319,921	0	0	12,319,921	24,639,842	
Local Assistance	250,000	0	0	250,000	0	0	250,000	500,000	
Grants	6,253,311	1,680,403	0	7,933,714	1,090,294	0	7,343,605	15,277,319	
Transfers	15,143	0	0	15,143	0	0	15,143	30,286	
Debt Service	6,445	1,346	0	7,791	1,346	0	7,791	15,582	
Total Costs	\$422,938,047	\$51,923,291	\$4,300,207	\$479,161,545	\$60,258,955	\$3,582,216	\$486,779,218	\$965,940,763	
General Fund	250,000	0	0	250,000	0	0	250,000	500,000	
State/Other Special	179,411,483	22,403,401	(26,329,106)	175,485,778	22,989,364	(25,532,793)	176,868,054	352,353,832	
Federal Special	243,276,564	29,519,890	30,629,313	303,425,767	37,269,591	29,115,009	309,661,164	613,086,931	
Total Funds	\$422,938,047	\$51,923,291	\$4,300,207	\$479,161,545	\$60,258,955	\$3,582,216	\$486,779,218	\$965,940,763	

Agency Description

The Department of Transportation (MDT) is responsible for serving the public by establishing and maintaining a transportation system that emphasizes safety, environmental preservation, cost-effectiveness, and quality.

Reorganization

During the base year, the department reorganized various safety functions that had been disbursed throughout the department into one combined safety bureau. The Traffic Safety Bureau, including 7.5 FTE and the associated budget, was moved from the Transportation Planning Program to the Construction Program. In addition, other sections in the Construction Program that had dealt with the safety function were combined under one bureau. The Safety Management, Traffic Engineering, and Railroad sections in combination with the Traffic Safety Bureau, now make up the Construction Safety Bureau.

Agency Discussion

Agency Funding

Sources of Revenue

The department is primarily funded from a combination of state special revenue and federal special revenue funds. State special revenue funds can be grouped into two general categories: those that are constitutionally-protected and those that are not. The Constitution of the State of Montana states that revenues from gross vehicle weight fees and excise and license taxes on gasoline, fuel, and other energy sources that are used to propel vehicles on public highways are to be used solely for paying obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges and for enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Constitutionally protected revenues comprise roughly 93 percent of MDT total state special revenues. The remaining 7 percent of state special revenues are derived from special use permits and motor fuel penalties and interest payments. Federal aid for highway construction is primarily realized from the distribution of revenue derived from the federally-imposed excise tax on motor fuels. Montana has historically received significantly more federal-aid highway construction funds than are collected in federal motor fuels excise taxes from Montana sources.

Transportation Equity Act for the 21st Century

The department receives federal-aid construction funding from the Federal Highway Administration (FHWA). The federal legislation that authorizes this funding is the Transportation Equity Act for the 21st Century (TEA-21). Montana receives, on average, roughly \$260 million per year in federal apportionment for highway construction and related activities. TEA-21 is a 6-year authorization act and is scheduled to expire at the end of federal fiscal 2003. As such, TEA-21 expires in the first quarter of state fiscal 2004. The expiration of TEA-21, therefore, should have no impact on the department budget request for the 2003 biennium.

Sliding Scale Match

Montana receives federal highway construction funds based on a sliding scale match formula that includes factors for the amount of federal land in the state and the amount of financial contribution the state makes to maintain the federal-aid highway system with state dollars. Montana's current match ratio is 87 percent federal to 13 percent state for reimbursable federal-aid projects. In order to maintain this favorable match, Montana must fully fund a certain level of construction activity with state funds. The department estimates that roughly \$10 million is the annual level of 100 percent state construction funds needed to maintain the current match ratio.

In order to utilize all of the federal funds apportioned to the state, state funds must be available to provide: 1) planning functions required in TEA-21; 2) maintenance of the federal-aid highway system to FHWA standards; 3) adequate management and oversight of federal-aid construction projects; 4) a minimum construction program supported by 100 percent state funds (\$10 million annually); 5) matching funds for federal-aid construction funds; and 6) adequate working capital to pay operating expenses with 100 percent state funds until federal reimbursement is provided. In the past, the department has stated that it needs a minimum working capital balance of \$10 million to pay operating expenses.

Highways State Special Revenue Account Financial Condition*Working Capital Projections*

An analysis of the highways state special revenue account projects that present law expenditures would reduce the working capital balance of the account to a low of nearly \$1.4 million at the end of fiscal 2002, but the balance would increase to just over \$7 million by the end of the 2003 biennium. These estimates assume that the legislature approves present law budget requests for MDT and the Department of Justice (DOJ). These estimates further assume approval of capital project requests for: 1) the Department of Fish, Wildlife and Parks for state park road maintenance; and 2) MDT for maintenance and repair of department buildings.

If, in addition to the present law expenditures, the legislature approves an MDT capital project request for statewide equipment buildings, MDT and DOJ new proposals, 4 percent annual pay plan increases, and phased-in state benefit contributions of \$71 per employee per month, the working capital balance is projected to go negative in fiscal 2002 and stay negative throughout the 2003 biennium. The account is projected to end the 2003 biennium with a nearly \$1 million negative working capital balance.

Assumptions

Expenditures used in the analysis are:

- ?? appropriations for fiscal 2001;
- ?? Executive Budget for the 2003 biennium; and
- ?? 2003 estimates inflated by 3 percent annually for the 2005 biennium, except for the pay plan, capital projects, and where a specified distribution is included in law.

Revenues used in the analysis are:

- ?? revenue estimates adopted by the Revenue and Taxation Committee for gross vehicle weight (GVW) fees, gasoline taxes, and diesel taxes for fiscal 2001 and the 2003 biennia;
- ?? fiscal 2003 estimates adopted by the Revenue and Taxation Committee for gross vehicle weight (GVW) fees, gasoline taxes, and diesel taxes inflated annually for the 2005 biennium by the same annual inflation factor included in the adopted estimates; and
- ?? fiscal 2000 actual revenues without any inflation for the remaining 2.4 percent of account revenues.

Highways State Special Revenue Account Stability

Table 1 illustrates the analysis of the account and shows projections of revenues, expenditures, and working capital. Table 1 shows that the balance between revenues and expenditures is quite volatile for the 2003 biennium:

- ?? Expenditures are projected to exceed revenues during fiscal years 2001 and 2002, for both present law and present law with capital projects, new proposals, pay plan increases, and increases to the state benefit contribution.
- ?? For present law, the account is projected to recover from a projected negative financial position during fiscal 2003, when all prior bond issues are completely retired and expenditures decrease accordingly.
- ?? For present law with capital projects, new proposals, pay plan increases, and increases to the state benefit contribution, the account is projected to remain in a negative financial position through fiscal 2005 and beyond.
- ?? For present law, the account working capital balance is again expected to degrade beginning in fiscal 2005.

Table 1
Working Capital Analysis - Highways State Special Revenue Account
Fiscal Years 2000 - 2005

	Fiscal 2000 Actual	Fiscal 2001 Approp.	Fiscal 2002 Estimate	Fiscal 2003 Estimate	Fiscal 2004 Estimate	Fiscal 2005 Estimate
PRESENT LAW						
Beginning Working Capital Balance	\$ 48,974,472	\$ 23,542,223	\$ 6,358,530	\$ 1,365,724	\$ 7,034,247	\$ 14,484,836
Revenues						
Gasoline tax	124,679,120	126,129,000	127,592,000	129,076,000	130,577,154	132,095,766
Diesel tax	54,259,213	55,886,990	57,563,599	59,290,507	61,069,222	62,901,299
G.V.W.	33,934,696	32,366,000	29,515,000	29,668,000	29,821,680	29,976,157
Other revenue	5,174,406	5,174,406	5,174,406	5,174,406	5,174,406	5,174,406
Interest					394,740	728,405
Total Revenues	\$ 218,047,435	\$ 219,556,396	\$ 219,845,005	\$ 223,208,913	\$ 227,037,203	\$ 230,876,033
Expenditures						
Department of Transportation (MDT) Expenditures						
General Operations Program	14,010,603	14,530,794	16,784,246	16,456,425	16,950,118	17,458,621
Tribal refunds - SA	24,435	28,036	25,073	25,152	25,907	26,684
Construction Program (Note 1)	90,891,133	73,987,100	71,071,671	73,816,996	76,031,506	78,312,451
Maintenance Program	69,930,872	79,608,356	78,970,352	79,369,434	81,750,517	84,203,033
Motor Carrier Services Program	4,823,500	5,002,278	5,019,923	5,043,982	5,195,301	5,351,161
Transportation Planning Program	1,560,620	1,576,013	2,009,943	1,740,083	1,792,285	1,846,054
Debt service/ bond principle and interest	13,536,080	13,935,352	13,936,852	3,798,551		
Total MDT Expenditures	\$ 194,777,243	\$ 188,667,929	\$ 187,818,060	\$ 180,250,623	\$ 181,745,634	\$ 187,198,003
County gasoline tax distribution - SA	10,389,000	10,389,000	10,389,000	10,389,000	10,389,000	10,389,000
City gasoline tax distribution - SA	6,323,000	6,323,000	6,323,000	6,323,000	6,323,000	6,323,000
Local technical assistance - SA	54,000	54,000	54,000	54,000	54,000	54,000
Total Local Distribution	\$ 16,766,000	\$ 16,766,000	\$ 16,766,000	\$ 16,766,000	\$ 16,766,000	\$ 16,766,000
Department of Justice (DOJ)	16,494,329	17,252,851	18,103,751	18,373,767	18,924,980	19,492,729
HB 5 Long-Range Building Program (maintenance and repair of MDT buildings)	1,897,948	2,509,907	1,400,000	1,400,000	1,400,000	1,400,000
HB 5 Long-Range Building Program (Dept. of Fish, Wildlife & Parks)	502,091	1,656,504	750,000	750,000	750,000	750,000
Transfers and other uses of funds	5,482,201	9,886,898				
Total Expenditures	\$ 235,919,812	\$ 236,740,089	\$ 224,837,811	\$ 217,540,390	\$ 219,586,614	\$ 225,606,733
Adjustments for prior year activity	(7,559,872)					
Ending Working Capital Balance	\$ 23,542,223	\$ 6,358,530	\$ 1,365,724	\$ 7,034,247	\$ 14,484,836	\$ 19,754,136
Current Year Variance - present law only (Revenues less Expenditures)	(17,872,377)	(17,183,693)	(4,992,806)	5,668,523	7,450,589	5,269,300
CAPITAL PROJECTS, NEW PROPOSALS, AND PAY PLAN						
Beginning Working Capital Balance	\$ 48,974,472	\$ 23,542,223	\$ 6,358,530	\$ (2,480,339)	\$ (3,713,031)	\$ (4,115,199)
Revenues	218,047,435	219,556,396	219,755,672	223,208,913	226,642,462	230,147,628
HB 5 Long-Range Building Program (MDT equipment buildings statewide)			1,350,000	1,350,000	1,350,000	1,350,000
MDT new proposals (Note 1)			(64,191)	(556,802)		
MDT estimated 4% pay plan and benefits			2,048,678	5,065,120	5,065,120	5,065,120
DOJ estimated 4% pay plan and benefits			422,243	1,042,897	1,042,897	1,042,897
Total Expenditures	235,919,812	236,740,089	228,594,541	224,441,605	227,044,631	233,064,750
Ending Working Capital Balance	\$ 23,542,223	\$ 6,358,530	\$ (2,480,339)	\$ (3,713,031)	\$ (4,115,199)	\$ (7,032,321)
Current Year Variance - (Revenues less Expenditures)	\$ (17,872,377)	\$ (17,183,693)	\$ (8,838,869)	\$ (1,232,692)	\$ (402,169)	\$ (2,917,122)

Note 1: A funding adjustment request that is identified in the agency budget request as a new proposal (DP 11) is included here as present law because the services provided are not changing from that level needed under present law to maintain operations and services at the level authorized by the previous legislature. The primary factors behind the budget request for a funding change are an accounting policy change and the mix of projects included in the Tentative Construction Plan. In the past, the Tentative Construction Plan has been used as the basis for funding and the mix of projects within the plan is driving the funding change.

The growth of expenditures has exceeded and is expected to continue to exceed the growth of revenues. Without some type of intervention to bring the revenue and expenditure growth in line with one another, the account is projected to return to a financial condition with expenditures that are greater than revenues. Given this scenario, working capital reserves would be further depleted each year thereafter.

Assumption of Maintenance of Paved Secondary Roads

The 1999 legislature transferred the responsibility for maintaining paved secondary roads from the counties to the Department of Transportation when it passed SB 333. SB 333 allowed the department to phase in the maintenance responsibilities, but requires the department to complete assumption by January 1, 2001. The 1999 legislature appropriated funds to the department for 25 percent of the FTE in fiscal 2000 and 75 percent of total FTE in fiscal 2001. The department was directed to evaluate the program and include a request for remaining resource needs to the 2001

legislature. Impacts associated with the assumption of secondary road maintenance are included in the budget requests for the General Operations and the Maintenance programs. Table 2 summarizes the budget requests associated with the assumption of maintenance for paved secondary roads. In addition to the direct budget impacts, the highways state special revenue account has contributed capital of roughly \$13.1 million to the Equipment Program during the 2001 biennium due primarily to the assumption of maintenance of paved secondary roads. Capital contributions were used by the Equipment Program to purchase the equipment to support maintenance activities.

Table 2 Montana Department of Transportation Assumption of Maintenance for Paved Secondary Roads						
Budget Item	Program	Decision Package	Fiscal 2002		Fiscal 2003	
			FTE	Amount	FTE	Amount
Base (fiscal 2000) expenditures	Maintenance		36.50	\$ 2,980,616	36.50	\$ 2,980,616
Statewide base adjustments (estimated)	Maintenance		73.00	2,760,000	73.00	2,770,000
Contracts Officer	General Operations	NP 8	1.00	39,693	1.00	36,318
Secondary Roads Implementation	Maintenance	PL 1	<u>36.35</u>	<u>7,577,240</u>	<u>36.35</u>	<u>7,708,825</u>
Total Secondary Roads			<u>146.85</u>	<u>\$ 13,357,549</u>	<u>146.85</u>	<u>\$ 13,495,759</u>

Agency Narrative

The Executive Budget request for the 2003 biennium increases by nearly 11 percent from the 2001 biennium. Federal special revenue increases by just over 12 percent and state special revenue increases by 8 percent. The major sources for the increase are: 1) adjustments in the Construction and Transportation Planning programs that would increase funding by nearly \$29.7 million because of an accounting policy change made by the department during the base year; 2) an increase of just over \$37.2 million for increased contractor payments associated with the higher level of construction activity resulting from TEA-21 funding increases; 3) more than \$15.3 million in increases resulting from the assumption of responsibility for maintenance of paved secondary roads; and 4) increases of \$1.4 million in transportation planning and local transportation assistance directly related to allocations of the TEA-21 funding increases.

Table 3 Funding and Staff Growth (in Millions)				
Component	Fiscal 1998	Fiscal 2000	Fiscal 2003	Change (1998 - 2003)
State special revenue	\$ 148.9	\$ 179.4	\$ 176.9	18.8%
Federal special revenue	176.4	243.3	309.7	75.6%
General fund	0.3	0.3	0.3	0.0%
Total Funds	<u>\$ 325.5</u>	<u>\$ 422.9</u>	<u>\$ 486.8</u>	<u>49.5%</u>
Funding growth - amount		97.4	63.8	
Funding growth - percent		29.9%	15.1%	
FTE	1819.51	2116.66	2231.71	22.7%
FTE growth - amount		297.2	115.1	
FTE growth - percent		16.3%	5.4%	

The Executive Budget would add 115 FTE, for an increase of 5.4 percent, during the 2003 biennium. During this same period, total agency funding would increase by \$63.8 million, or roughly 15.1 percent. Table 3 illustrates the change in funding and staff that would occur from fiscal 1998 to the end of the 2003 biennium. Table 3 also shows that federal funding would increase significantly more than the state match. Federal funds would increase by \$133.3 million, or 75.6 percent, as compared to state funds, which grow by \$28.0 million, or 18.8 percent for the same period.

Reports Required by the 1999 Legislature

The 1999 legislature required that the department present certain reports to the 2001 General Government and Transportation Joint Appropriations Subcommittee. These reports were to provide information related to budget requests approved by the 1999 legislature. The reports were required so the 2001 legislature would have outcome information for certain activities the 1999 legislature funded, but which the legislature questioned the benefits the activities would provide to the department. Table 4 summarizes the reports the legislature required the department to provide.

Table 4 Department of Transportation Report for the 2001 Legislature		
Program	Report Content	2001 Biennium Budget Reference
General Operations (01)	who attended training provided by the American Association of State Highway Transportation Officers (AASHTO) and how did the agency benefit for attendance by each individual	present law DP 6 - AASHTO Training
General Operations (01)	investigations and results associated with expenditures from the appropriations for contracted services with the Department of Justice	new proposal DP 16 - Investigative Services
General Operations (01)	increased fuel tax revenues directly resulting from the auditing function of the additional 1.0 FTE	new proposal DP 33 - Motor Fuel Tax Auditors
Construction Program (02)	details of the safety management development system that identifies the activities of the system and benefits gained from the system	new proposal DP 5 - Safety Management Development System
Construction Program (02)	the goals and attainments of the goals of the microfilm conversion contract	new proposal DP 10 - Microfilm Conversion Contract
Maintenance Program (03)	the status and accomplishments of the road reporters and remote weather information sites and any improved productivity resulting from the use of the new technology	present law DP 2 - Road Reporting/Traveler Services
Motor Carrier Services (22)	the use of the Internet for permits, the satisfaction of users on the training, and the growth of credit card fees	new proposal DP 37 - Internet Permit Program

Common Budget Adjustments

The executive has included two present law adjustments that are repeated in all program budget requests of the department:

- 1) Overtime and Differential - Overtime and differential pay are removed from the base and must be specifically justified and approved by the legislature; and
- 2) Equipment Rental - The Equipment Program owns and maintains most of the mobile equipment used by other programs of the department. The Equipment Program is funded with an internal service fund and receives revenues from equipment rental fees paid by other programs. The "Equipment Rental" requests adjust the various user programs' budgets to reflect full funding of the Equipment Program for the 2003 biennium. The allocations of the Equipment Program costs are based on historical usage of equipment by the various programs.

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	Present Law Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Biennium Fiscal 00-01	Total Exec. Budget Fiscal 02-03
FTE	2,178.80	48.00	2,226.80	2,182.46	49.25	2,231.71	0.00	2,231.71
Personal Services	91,770,440	1,680,608	93,451,048	92,292,367	1,738,517	94,030,884	166,178,797	187,481,932
Operating Expenses	360,942,587	2,540,477	363,483,064	369,694,933	1,819,803	371,514,736	666,501,850	734,997,800
Equipment	1,621,742	79,122	1,700,864	1,273,242	23,896	1,297,138	2,974,052	2,998,002
Capital Outlay	12,319,921	0	12,319,921	12,319,921	0	12,319,921	23,317,033	24,639,842
Local Assistance	250,000	0	250,000	250,000	0	250,000	500,000	500,000
Grants	7,933,714	0	7,933,714	7,343,605	0	7,343,605	13,548,924	15,277,319
Transfers	15,143	0	15,143	15,143	0	15,143	50,143	30,286
Debt Service	7,791	0	7,791	7,791	0	7,791	26,351	15,582
Total Costs	\$474,861,338	\$4,300,207	\$479,161,545	\$483,197,002	\$3,582,216	\$486,779,218	\$873,097,150	\$965,940,763
General Fund	250,000	0	250,000	250,000	0	250,000	500,000	500,000
State/Other Special	201,814,884	(26,329,106)	175,485,778	202,400,847	(25,532,793)	176,868,054	326,362,630	352,353,832
Federal Special	272,796,454	30,629,313	303,425,767	280,546,155	29,115,009	309,661,164	546,234,520	613,086,931
Total Funds	\$474,861,338	\$4,300,207	\$479,161,545	\$483,197,002	\$3,582,216	\$486,779,218	\$873,097,150	\$965,940,763

New Proposals

The table below summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 1 - IT Personnel Support										
01	4.00	0	191,028	0	191,028	4.00	0	191,709	0	191,709
DP 1 - Engineering Oversight Bureau										
02	8.00	0	344,194	203,229	547,423	8.00	0	309,173	166,825	475,998
DP 1 - Two-way Radio Communications Equipment										
03	0.00	0	187,282	0	187,282	0.00	0	100,400	0	100,400
DP 1 - IRP Clearinghouse Dues										
22	0.00	0	13,000	0	13,000	0.00	0	13,000	0	13,000
DP 1 - Performance Programming Implementation										
50	0.00	0	12,000	48,000	60,000	0.00	0	12,000	48,000	60,000
DP 2 - FTMA Crossmatch/Compliance Program										
01	2.00	0	69,041	0	69,041	2.00	0	62,257	0	62,257
DP 2 - Increase Preliminary Survey										
02	10.00	0	217,666	215,998	433,664	10.00	0	219,579	215,673	435,252
DP 2 - Funding Adjustments										
03	0.00	0	(2,862,116)	2,862,116	0	0.00	0	(2,862,116)	2,862,116	0
DP 2 - Laptop Computers for the MOVE Progr										
22	0.00	0	6,200	0	6,200	0.00	0	0	0	0
DP 2 - Planning Processes/Requirements										
50	0.00	0	24,000	96,000	120,000	0.00	0	24,000	96,000	120,000
DP 3 - Fuel Tax Recovery Program										
01	1.00	0	54,617	0	54,617	2.00	0	87,542	0	87,542
DP 3 - Radio Replacement Bozeman and Butte										
03	0.00	0	167,700	0	167,700	0.00	0	167,700	0	167,700
DP 3 - Statewide Truck Activity Reporting System (STARS)										
50	3.00	0	173,212	573,068	746,280	2.25	0	115,323	381,544	496,867
DP 4 - Right/Way FTE										
02	6.00	0	112,405	107,941	220,346	7.00	0	133,893	123,921	257,814
DP 4 - TranPlan 21 Public Involvement Survey										
50	0.00	0	0	0	0	0.00	0	3,400	13,600	17,000
DP 5 - Governmental Electronic Commerce										
01	1.00	0	286,193	0	286,193	1.00	0	236,318	0	236,318
DP 5 - Traffic Engineer FTE										
02	4.00	0	78,811	69,525	148,336	4.00	0	79,442	69,410	148,852
DP 5 - Weed Coordination FTE										
03	1.00	0	28,401	0	28,401	1.00	0	28,498	0	28,498
DP 5 - City Park Rest Area Program										
50	0.00	0	200,000	0	200,000	0.00	0	0	0	0
DP 6 - DBE Position										
01	1.00	0	30,770	0	30,770	1.00	0	30,873	0	30,873
DP 6 - Funding Adjustments										
50	0.00	0	(70,100)	70,100	0	0.00	0	(69,114)	69,114	0
DP 7 - GASB 34 Implementation										
01	1.00	0	236,193	0	236,193	1.00	0	236,318	0	236,318
DP 7 - Computer Software for Safety Management										
02	0.00	0	125,370	24,630	150,000	0.00	0	0	0	0
DP 8 - Contracts Officer										
01	1.00	0	39,693	0	39,693	1.00	0	36,318	0	36,318
DP 8 - Legal Services FTE										
02	1.00	0	20,212	8,303	28,515	1.00	0	17,896	7,700	25,596
DP 8 - Highway Lighting Agreement										
03	0.00	0	111,600	0	111,600	0.00	0	129,456	0	129,456
DP 9 - Pavement Analysis/Research Software										
02	1.00	0	48,150	2,290	50,440	1.00	0	48,322	2,279	50,601
DP 10 - Investigative Services										
01	0.00	0	62,500	0	62,500	0.00	0	62,500	0	62,500
DP 10 - Materials Bureau FTE										
02	3.00	0	22,197	88,788	110,985	3.00	0	22,269	89,078	111,347
DP 11 - Funding Adjustments										
02	0.00	0	(26,259,325)	26,259,325	0	0.00	0	(24,969,749)	24,969,749	0
Total	48.00	\$0	(\$26,329,106)	\$30,629,313	\$4,300,207	49.25	\$0	(\$25,532,793)	\$29,115,009	\$3,582,216

Language Recommendations

The following language is recommended for HB 2:

"The department may adjust appropriations in the construction, maintenance, and transportation planning programs between state special and federal special revenue fund types if the total state special revenue authority for these programs is not increased by more than 10 percent of the total appropriations established by the legislature for each program. All transfers between fund types must be fully explained and justified by budget documents submitted to the office of budget and program planning, and all fund transfers of more than \$1 million in any 30 day period must be communicated to the legislative finance committee in a written report."

"All federal special revenue appropriations in the department are biennial."

Agency Issues**Accounting Policy Change***Policy Change*

In a financial-compliance audit for the two fiscal years ending June 30, 1999, the Legislative Auditor found that the department was improperly recording accruals of federal revenue for construction, utility relocation, highway planning and construction consulting, and right-of-way work. In essence, the department was recording federal revenue in an accounting period (fiscal year) during which the federal revenue could not be expected as per accounting policies. By recording federal revenue as the department did, expenditures of federal funds were overstated and expenditures of state funds were understated for a given fiscal year. The department implemented an accounting policy change during fiscal 2000 to correct its accrual practices.

Impacts on the Budget Request

Because of the accounting policy change made by the department, present law adjustments appear in the Executive Budget requests for the Construction and Transportation Planning programs. These budget adjustments were made because the policy change disallowed the previously common practice of accruing contracts involving federal funds that had not been completed by the end of the fiscal year in which the contract was initiated. Accrued contracts from fiscal years 1995 through 1999 were liquidated at the end of fiscal 2000; no contracts were accrued in fiscal 2000. Because of this change, contracts that were awarded during fiscal 2000 before the policy change - but which were not completed by the end of the fiscal year - were not expensed during the base year and did not generate base expenditures to the level of a typical fiscal year. These contracts will need to be paid with appropriations from fiscal years after 2000. Further, the department has been awarded (and is expected to continue to see) greater numbers of contracts due to higher levels of federal-aid provided through the Transportation Equity Act for the 21st Century (TEA-21). Additional authority is being requested in the Construction and Transportation Planning programs to cover the payments related to prior year's liquidated accruals, payments related to contracts awarded in fiscal 2000 that were not accrued, and the higher number of contracts anticipated for fiscal 2001 and the 2003 biennium.

To put the impacts of the accounting policy change into perspective, roughly \$6.0 million of the roughly \$29.6 million adjustments associated with the accounting change are for new contracts. The remaining \$23.6 million (79.7 percent) cover contracts with consultants that would have been accrued during the current biennium, but which will be paid during the 2003 biennium.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Adjustment Fiscal 2002	Base New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Adjustment Fiscal 2003	Base New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	151.27	0.00	11.00	162.27	0.00	12.00	163.27	163.27
Personal Services	5,899,056	668,991	420,644	6,988,691	714,944	455,457	7,069,457	14,058,148
Operating Expenses	7,926,923	2,999,619	542,191	11,468,733	2,914,695	488,378	11,329,996	22,798,729
Equipment	172,010	294,937	7,200	474,147	(60,063)	0	111,947	586,094
Grants	75,606	(606)	0	75,000	(606)	0	75,000	150,000
Debt Service	750	1,346	0	2,096	1,346	0	2,096	4,192
Total Costs	\$14,074,345	\$3,964,287	\$970,035	\$19,008,667	\$3,570,316	\$943,835	\$18,588,496	\$37,597,163
State/Other Special	13,356,684	3,427,562	970,035	17,754,281	3,099,741	943,835	17,400,260	35,154,541
Federal Special	717,661	536,725	0	1,254,386	470,575	0	1,188,236	2,442,622
Total Funds	\$14,074,345	\$3,964,287	\$970,035	\$19,008,667	\$3,570,316	\$943,835	\$18,588,496	\$37,597,163

Program Description

The General Operations Program provides administrative support services for the department, including general administration and management; accounting and budgeting; public affairs; computer systems support; personnel; goods and services procurement; and administration of motor fuel taxes.

Program Narrative

The Executive Budget includes three requests for the General Operations Program, all of which are related to motor fuel tax enforcement. All told, these requests would add 4.0 FTE and \$512,145 of funding to the program in support of more closely monitoring motor fuel distributions and detecting instances of motor fuel tax evasion. The department has stated that these programs should be self-supporting by increasing motor fuel taxes enough to cover program administration costs. Table 1A summarizes these budget requests. The FTE that would be added during the 2003 biennium are requested in addition to the 1.0 FTE added during the 2001 biennium in new proposal, DP 33 Motor Fuel Tax Auditors. The 1999 legislature requested that the department provide a report to the 2001 legislature that details the increased fuel tax revenues directly resulting from the auditing function and the expenditure of the funds appropriated for that purpose. If approved, the legislature may wish to require that the department present a similar report to the 2003 legislature on the impact of fuel tax revenue collections.

Table 1A						
Motor Fuel Tax Enforcement Budget Requests						
Decision Package			State Special		Federal Special	Total
Number	Name	FTE	Revenue	Revenue	Revenue	Funds
PL 12	Fuel Tax Evasion	0.0	\$ -	\$ 238,688	\$ 238,688	
NP 2	FTMA Crossmatch/Compliance Program	2.0	131,298	-	131,298	
NP 3	Fuel Tax Recovery Program	2.0	142,159	-	142,159	
		4.0	\$ 273,457	\$ 238,688	\$ 512,145	

Funding

The General Operations Program is funded primarily from the highways state special revenue fund. The highways state special revenue fund receives revenue primarily from motor fuel taxes and gross vehicle weight permit fees. Federal funding is available for assistance for disadvantaged businesses, training, and fuel tax evasion prevention efforts. The General Operations Program receives federal funds for fuel tax evasion prevention efforts via a \$15,000 grant and 0.25 percent of the state's allotment of Surface Transportation Program funds. The program also receives federal reimbursement of certain direct administrative expenses. For the 2003 biennium, state special revenue provides roughly 94 percent of the program's total funding; federal special revenue provides the remaining 6 percent.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				749,769					789,230
Vacancy Savings				(183,216)					(184,400)
Inflation/Deflation				(34,618)					(28,799)
Fixed Costs				1,310,910					1,317,550
Total Statewide Present Law Adjustments				\$1,842,845					\$1,893,581
DP 1 - Overtime/Differential									
0.00	0	102,438	0	102,438	0.00	0	110,114	0	110,114
DP 2 - Computer/Networking Equipment/Softw									
0.00	0	294,937	0	294,937	0.00	0	(60,063)	0	(60,063)
DP 3 - PC and Laser Printer Replacement									
0.00	0	296,119	0	296,119	0.00	0	296,119	0	296,119
DP 4 - Contracted Services - ISB									
0.00	0	492,654	0	492,654	0.00	0	492,654	0	492,654
DP 5 - Federal Training and HazMat Communication Program									
0.00	0	85,374	143,497	228,871	0.00	0	49,874	143,497	193,371
DP 6 - Software									
0.00	0	62,531	0	62,531	0.00	0	62,531	0	62,531
DP 7 - Lockheed Martin									
0.00	0	462,929	0	462,929	0.00	0	474,645	0	474,645
DP 8 - Administrative Increase									
0.00	0	8,100	0	8,100	0.00	0	4,300	0	4,300
DP 9 - EEO/ADA Training and Compliance									
0.00	0	10,979	0	10,979	0.00	0	11,119	0	11,119
DP 10 - Equipment Rental									
0.00	0	7,540	0	7,540	0.00	0	7,601	0	7,601
DP 12 - Fuel Tax Evasion									
0.00	0	0	154,344	154,344	0.00	0	0	84,344	84,344
Total Other Present Law Adjustments									
0.00	\$0	\$1,823,601	\$297,841	\$2,121,442	0.00	\$0	\$1,448,894	\$227,841	\$1,676,735
Grand Total All Present Law Adjustments				\$3,964,287					\$3,570,316

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

LFD COMMENT	Personal Services - Statewide Present Law Adjustment
	The statewide present law adjustments for personal services include increases of 11.3 percent in fiscal 2002 and 12.1 percent in fiscal 2003 over the base. These increases appear to be high, primarily because of base-year vacancies of roughly 9.2 percent, which is the equivalent of 14 FTE.

DP 1 - Overtime/Differential - This adjustment would reestablish base year overtime and differential pay with associated benefits.

DP 2 - Computer/Networking Equipment/Software - The department would purchase additional servers and enhance networking capabilities within the Helena headquarters to support expanded needs of the department for computerized management systems, as a result of the growth of the federal-aid construction program, and staff growth.

**LFD
COMMENT**

The 1999 legislature added 301 FTE to the department primarily to support an expanded federal-aid construction program and the assumption of maintenance on paved secondary highways. The additional FTE are located in a leased facility in Helena and in the new core drilling building authorized by the 1999 legislature through the capital construction program. The 1999 legislature also provided funding to allow the department to develop and convert several computerized management systems to current technology. All of these factors have combined to increase the demand on the existing servers and network capacity.

DP 3 - PC and Laser Printer Replacement - This request would fund the replacement of 75 additional personal and laptop computers and 75 laser printers each year of the biennium. The base includes funding to replace 467 personal computers, 42 laptop computers, 4 laser printers, 1 desk-jet printer, and 889 monitors. This adjustment added to the base would fund a four-year replacement cycle for department personal computers at current staffing levels.

DP 4 - Contracted Services - ISB - The executive would fund contracted services for information technology related projects. Modules that would be developed or supported by the contracted services include: 1) motor carrier registration; 2) fuel tax billing, collections and reporting; 3) fuel tax distribution; 4) fuel tax refund processing and tracking; 5) fuel distributor licensing; 6) administrative hearing module for managing delinquent accounts; 7) overweight (special) permitting administration; 8) personal services budget monitoring; and 9) work flow processing. These systems would integrate with the department fund and cash management systems, the Statewide Accounting, Budgeting and Human Resource System, document management with workflow processing systems, and electronic commerce related systems.

**LFD
ISSUE**

This request would provide funding to develop management systems similar to those provided by the contract with Lockheed Martin, IMS, for which increased funding is requested in present law decision package DP 7, Lockheed Martin. Because of the similarity of the systems funded by this request and the service level contract funded by DP 7, the legislature may wish to ask the department:

- ?? how this request differs from DP 7;
- ?? what costs are funded in the two requests that would provide the same functions for the department; and
- ?? what portion of this request is for development costs that are not of an ongoing nature.

If the legislature determines that any or all of this is being made in support of system development costs that will not become ongoing operating costs, it may wish to:

- ?? designate the appropriation as a one-time-only; or
- ?? insert language in HB 2 that directs the department to include a present law adjustment in its 2005 biennium budget request that would remove the one-time expenditures.

DP 5 - Federal Training and HazMat Communication Program - Funding would provide a Hazardous Materials Communications Program and the associated training for department staff. It would also allow staff to attend training offered by the American Association of State Transportation Officials (AASHTO), which was designated by the 1999 legislature as a one-time-only expenditure in the base.

**LFD
ISSUE**

The 1999 legislature designated the appropriation for training as a one-time-only appropriation and directed that the department provide a report to the 2001 legislature's joint appropriations subcommittee that documents the benefits the department received from AASHTO training taken during the 2001 biennium. The legislature may wish to consider the benefits the AASHTO training provided when evaluating this request.

DP 6 - Software - This request would fund the acquisition of software for field and mobile devices that are not attached to the statewide network, and are not included in the network rate paid to Information Services Division of the Department of Administration. There is no base for software purchases because the 1999 legislature identified the 2001

biennium purchases for computer equipment and software as a one-time-only appropriation. The department would purchase software such as: Microsoft Office, ARCview, ARCims, Designer 2000, Developer 2000, and Discoverer 2000. These software packages would be used for mapping activities, planning, and reporting purposes; building statistical reports based on departmental data; and developing database applications.

The department has over 500 personal computers that are not included in the cost recovery model for the Information Services Division of the Department of Administration. These personal computers follow state standards and use Microsoft Office Suite for e-mail, scheduling, word processing, and spreadsheet applications. This funding would allow the department to procure the next release of Microsoft Office products to stay current with state standards.

DP 7 - Lockheed Martin - This executive recommends funding increases for a contract with Lockheed Martin - IMS for services and system support to MDT for the Montana Tax and Revenue System (MOTRS). Funding includes operating costs of nearly \$900,000 per year, equipment replacement of roughly \$19,000 for the biennium, training costs of roughly \$22,000 per year, and enhancements of \$200,000 per year. This request is based on preliminary estimates as the contract is currently operating under monthly extensions while it is being renegotiated.

LFD COMMENT

The department began developing MOTRS after the 1993 legislative session in order to provide an integrated system that would replace various manual and automated systems associated with commercial motor carrier business processes and fuel taxes. MOTRS provides integration of the following subsystems:

- ?? VISTA (Vehicle Information System for Tax Apportionment) - provides automated vehicle registration and licensing services for commercial motor carrier customers as members of the International Registration Plan (IRP);
- ?? VISTA TS - provides automated registration and tax processing for commercial motor carrier customers as members of the International Fuel Tax Association (IFTA); and
- ?? VISTA PS - provides automated processes for oversize/overweight permits, vehicle routing, and route restriction development.

MOTRS provides a common master account that integrates all subsystems and also allows for the integration of accounting, accounts receivable, accounts payable, cashiering, and auditing for all subsystems. A business area analysis conducted on the system identified two potential enhancements:

- 1) administrative tracking, which would track the progress of an account as it goes through the dispute resolution process; and
- 2) refunds, which would account for and track the status of fuel tax refunds.

The request would fund these two enhancements.

Base year expenditures for MOTRS were just over \$660,000. This request would increase the annual cost of the MOTRS service level contract to just over \$1.1 million, an annual increase of 70 percent.

LFD ISSUE

Please refer to the LFD issue following present law DP 4, Contracted Services - ISB for discussion relating to this request.

DP 8 - Administrative Increase - This adjustment would fund projected increases in general administrative expenses, including travel for the Human Resources Division, departmental strategic management, and agent/trustee fees.

DP 9 - EEO/ADA Training and Compliance - Funding would be used to provide specialized Equal Employment Opportunity (EEO) and Americans with Disabilities Act (ADA) training for departmental administrative staff and Transportation Commission members. Funding would also be used to purchase specialized training materials to aid in

providing the ADA training. This request includes an increase in travel expenditures to adjust for base year expenditures lower than normal because the Compliance Specialist position for this function remained vacant much of the base year.

DP 10 - Equipment Rental - This request would fund the program's share of proposed increases in the department's Equipment Program.

DP 12 - Fuel Tax Evasion - The Executive Budget includes funding for the federal grant program that funds initiatives directed at reducing the evasion of motor fuel taxes.

LFD COMMENT

This is one of three requests associated with enforcing motor fuel tax laws. For additional discussion of motor fuel tax enforcement initiatives, refer to the Program Narrative Section of this report.

New Proposals										
Prgm	FTE	-----Fiscal 2002-----				-----Fiscal 2003-----				Total Funds
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	
DP 1 - IT Personnel Support										
01	4.00	0	191,028	0	191,028	4.00	0	191,709	0	191,709
DP 2 - FTMA Crossmatch/Compliance Program										
01	2.00	0	69,041	0	69,041	2.00	0	62,257	0	62,257
DP 3 - Fuel Tax Recovery Program										
01	1.00	0	54,617	0	54,617	2.00	0	87,542	0	87,542
DP 5 - Governmental Electronic Commerce										
01	1.00	0	286,193	0	286,193	1.00	0	236,318	0	236,318
DP 6 - DBE Position										
01	1.00	0	30,770	0	30,770	1.00	0	30,873	0	30,873
DP 7 - GASB 34 Implementation										
01	1.00	0	236,193	0	236,193	1.00	0	236,318	0	236,318
DP 8 - Contracts Officer										
01	1.00	0	39,693	0	39,693	1.00	0	36,318	0	36,318
DP 10 - Investigative Services										
01	0.00	0	62,500	0	62,500	0.00	0	62,500	0	62,500
Total	11.00	\$0	\$970,035	\$0	\$970,035	12.00	\$0	\$943,835	\$0	\$943,835

New Proposals

DP 1 - IT Personnel Support - The executive requests funding to add 4.0 FTE information technology (IT) staff. The new IT staff would support the following agency functions:

- ?? One grade 16, programmer/analyst would assist in maintaining the statewide network of desktop and laptop computers for the Motor Carriers Services (MCS) program. MCS computers access sensitive commercial vehicle and driver information, issue oversize/overweight commercial vehicle permits, collect gross vehicle weight (GVW) fees, conduct commercial vehicle safety inspections and record fuel samples taken to assure compliance with fuel tax evasion laws. Computers are assigned to Helena based MCS employees, MCS Enforcement Officers who work at 22 remote weigh stations across the state, and to 17 officers who work from their enforcement vehicles on the open road.
- ?? One grade 15, information system support specialist would support the Global Positioning System (GPS) and public roads transportation layer of the Geographic Information Systems (GIS).
- ?? One grade 16, information system support specialist would administer management information system work order contracts and projects that had been out-sourced to vendors.
- ?? One grade 15, programmer/analyst would provide development and ongoing support for the computerized management systems identified as highest priority in the department strategic planning process. This may include: 1) the Cost Accounting and Record Entry System (CARES); 2) federal reimbursements; 3) Transportation Information Systems (TIS); 4) motor fuels; 5) documents management; 6) electronic records center; and 7) data warehousing.

**LFD
COMMENT**

The program has 32 FTE in IT positions, all of whom provide centralized support for the entire agency. These positions are in addition to the 16 FTE classified as IT who are assigned and dedicated to other programs within the department. The 4.0 FTE would increase the centralized IT staff by 12.5 percent to 36.0 FTE. A separate request from the Construction Program would add another 1.0 FTE dedicated IT position. (Please refer to new proposal DP 9, Pavement Analysis/Research Software in the Construction Program for a discussion of the related request.)

DP 2 - FTMA Crossmatch/Compliance Program - The executive increases funding to add 2.0 FTE grade 12, administrative officers for the Fuel Tax Management and Analysis Bureau. The positions would cross-match motor fuel tax returns with information filed in an effort to determine whether all motor fuel reported sold to Montana licensed distributors was reported and whether appropriate motor fuel taxes were paid.

**LFD
COMMENT**

This is one of three request associated with enforcing motor fuel tax laws. For additional discussion of motor fuel tax enforcement initiatives, refer to the related section in the Program Narrative Section of this report.

DP 3 - Fuel Tax Recovery Program - The executive requests funding to add 1.0 FTE in fiscal 2002 and 2.0 FTE in fiscal 2003. These positions would be grade 14 compliance specialists for the Fuel Tax Management and Analysis Bureau. The positions would focus on the detection and reduction of fuel tax fraud and evasion across Montana. They would spend most of their time traveling across the state enforcing the motor fuels laws. They would also provide assistance to enforcement and audit personnel and help coordinate joint enforcement efforts with surrounding states, Canada, and various federal agencies.

**LFD
COMMENT**

This request is one of three associated with enforcing motor fuel tax laws. For additional discussion of motor fuel tax enforcement initiatives, refer to the related section in the Program Narrative Section of this report.

DP 5 - Governmental Electronic Commerce - The Executive Budget includes a request to increase funding for the addition of 1.0 FTE. This position would be a grade 15 information system support specialist. This proposal also request contracted services to design, implement, and maintain a governmental electronic commerce system for financial and related applications of the department. This funding would allow the department to conduct business using the Internet or a private network, through which they could take advantage of such technologies as electronic mail, electronic funds transfer (EFT), electronic data interchange (EDI), electronic publishing, electronic bill presentment and payment, on-line banking, and business exchange.

DP 6 - DBE Position - This request would fund the addition of 1.0 FTE grade 13, compliance specialist in the Civil Rights Bureau. This position would assist with record keeping in the Disadvantaged Business Enterprise (DBE) Program. This program provides assistance to minority- and female-owned companies eligible to bid on federal-aid highway construction projects. The department states that eligibility, compliance, and statistical record-keeping requirements have all increased for this program, which is required if the department is to receive federal-aid highway construction funds.

The new regulations require the department to track, compile, and maintain information for successful and non-successful bidders, and to include payment and project/contract information. Data must also be collected to verify that applicant companies are eligible for participation in the DBE program. The department recommends that the new regulations will be best satisfied through the development and maintenance of electronic databases used to compile and generate compliance reports and statistical data for the Federal Highways Administration.

DP 7 - GASB 34 Implementation - This request is for funding to add 1.0 FTE grade 15, accountant, as well as contracted services in support of implementing Governmental Accounting Standards Board Statement 34 (GASB 34). The primary impact of GASB 34 is requiring the department to capitalize infrastructure such that financial schedules and the state Comprehensive Annual Financial Report meet Generally Accepted Accounting Principles.

**LFD
ISSUE**

This request includes \$200,000 annually in support of contracted services as well as new FTE. GASB Statement 34 requires capitalizing infrastructure so that financial schedules and the state Comprehensive Annual Financial Report (CAFR) meet Generally Accepted Accounting Principles (GAAP). GASB 34 has an implementation schedule that would require Montana to prepare its CAFR and financial schedules to the new standards for fiscal 2002. The biggest effort would be creating the first time capitalization of its huge investment in infrastructure (highways and buildings). The annual effort thereafter would involve keeping the data current. The legislature may wish to ask the department to justify ongoing contracted services costs contained in this request. If the legislature decides that a portion of this request is a one-time expenditure, the legislature has two options: designate the one-time portion of the request as a one-time-only appropriation; or include language directing the executive to include a present law adjustment in the 2005 biennium budget request whereby the one-time portion of base expenditures is removed.

DP 8 - Contracts Officer - The executive increases funding to add 1.0 FTE grade 15, contracts officer in the Purchasing Services Bureau to handle the increased workload associated with the assumption of maintenance for paved secondary highways. Using federal-aid highway construction funds for preventive maintenance of highways has increased the workload of the Purchasing and Service Bureau.

**LFD
COMMENT**

The 1999 legislature enacted SB 333, which transferred the responsibility for maintenance of paved secondary highways from the counties to the Department of Transportation. The department contracts the majority of their maintenance out to private contractors. The Transportation Equity Act for the 21st Century considers certain maintenance costs eligible for federal reimbursement, but the contracts for the associated maintenance must be administered and reported in accordance with federal standards. Federal contract standards result in an additional workload due to added need for oversight and more demanding reporting requirements.

DP 10 - Investigative Services - This request is for funding for a contract with the Department of Justice, through which suspected internal and external irregularities relative to contract administration and fuel tax enforcement would be investigated, as would fuel tax fraud.

**LFD
COMMENT**

A similar request for investigative services was approved by the 1999 legislature with language restricting its use to the purpose identified in this request. The request approved by the 1999 legislature was for contingency funding in the event suspected internal and external irregularities related to contract administration, or if fuel tax enforcement issues surfaced. Since the conditions of this restriction did not surface during the base year, no expenditures were made on investigative service contracts with the Department of Justice.

**LFD
ISSUE**

This request is for contingency funding should a set of conditions warrant expenditure for a specific purpose. If it is the legislature's intent that the funds be used only for this purpose, the appropriation should be designated as a restricted appropriation to be expended only for a contract with the Department of Justice in order to investigate suspected internal and external irregularities relative to contract administration and fuel tax enforcement issues, or to investigate fuel tax fraud.

Program Proposed Budget									
Budget Item	Base Budget Fiscal 2000	PL Adjustment Fiscal 2002	Base New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Adjustment Fiscal 2003	Base New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03	
FTE	1,055.23	(2.21)	33.00	1,086.02	1.45	34.00	1,090.68	1,090.68	
Personal Services	41,389,329	3,296,769	1,149,121	45,835,219	3,561,164	1,189,866	46,140,359	91,975,578	
Operating Expenses	270,122,733	28,760,997	540,588	299,424,318	38,027,426	315,594	308,465,753	607,890,071	
Equipment	934,442	0	0	934,442	15,000	0	949,442	1,883,884	
Capital Outlay	12,253,537	0	0	12,253,537	0	0	12,253,537	24,507,074	
Local Assistance	250,000	0	0	250,000	0	0	250,000	500,000	
Grants	2,834,614	626,901	0	3,461,515	626,901	0	3,461,515	6,923,030	
Debt Service	5,695	0	0	5,695	0	0	5,695	11,390	
Total Costs	\$327,790,350	\$32,684,667	\$1,689,709	\$362,164,726	\$42,230,491	\$1,505,460	\$371,526,301	\$733,691,027	
General Fund	250,000	0	0	250,000	0	0	250,000	500,000	
State/Other Special	90,693,250	6,637,746	(25,290,320)	72,040,676	8,093,495	(24,139,175)	74,647,570	146,688,246	
Federal Special	236,847,100	26,046,921	26,980,029	289,874,050	34,136,996	25,644,635	296,628,731	586,502,781	
Total Funds	\$327,790,350	\$32,684,667	\$1,689,709	\$362,164,726	\$42,230,491	\$1,505,460	\$371,526,301	\$733,691,027	

Program Description

The Construction Program is responsible for construction project planning and development from the time a project is included in the long-range work plan through actual construction. Program responsibilities include such tasks as project design, accessing environmental documents and permits, making right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is the documentation, inspection, and testing of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work is approved.

Program Narrative

Movement to an Alternative Pay Plan

The 1999 legislature approved a personal service budget request for the Construction Program with funding for 1,050.23 FTE in fiscal 2001. Of these FTE, 1.0 FTE was classified in a pay plan that was specifically designed to provide increased salaries for certain job classifications that typically experience high turnover and hiring difficulties because the pay rate is low, as compared to private industry. All other FTE in the program were classified in the pay plan that covers the majority of state employees. When the budget snapshot was taken for use in developing the personal service budget for the 2003 biennium, 337.55 FTE were classified in the alternative pay plan. Because of the number of positions involved, an estimate was made to determine how much this pay plan movement has increased the personal services cost to the program. Based on mid-range salaries for the positions involved, this movement is estimated to have increased the Construction Program personal services cost by nearly \$1.8 million per year.

Performance Audit of Pre-construction Project Delivery

During fiscal 2000, the department commissioned a performance audit of its pre-construction project delivery processes. An independent auditing firm under the oversight of the Legislative Audit Division conducted the audit. Pre-construction involves all phases of a highway construction project from the time the project is nominated until the project is advertised for bid. The audit report includes several findings that correspond to resource requests included in the budget request for the program. The audit found that survey and right-of-way activities in the pre-construction phase can contribute significantly to project delays and ultimately add unnecessary costs to projects. The audit found that the traffic engineering review function causes bottlenecks in project delivery. The audit also found that the department could benefit by strengthening its project management culture and providing better information exchange on approaches and initiatives that improve project management performance and accountability.

Table 2A
Pre-construction Audit Related Budget Requests

Budget Request	Decision Package	Fiscal 2002		Fiscal 2003	
		FTE	Cost	FTE	Cost
Engineering Oversight Bureau	NP 1	8.00	\$547,423	8.00	\$475,998
Increase Preliminary Survey	NP 2	10.00	433,664	10.00	435,252
Right-of-Way FTE	NP 4	6.00	220,346	7.00	257,814
Traffic Engineer FTE	NP 5	3.00	148,336	3.00	148,852
		<u>27.00</u>	<u>\$1,349,769</u>	<u>28.00</u>	<u>\$1,317,916</u>

Table 2A summarizes the budget requests that add the resources to address recommendations contained in the pre-construction project delivery audit. The budget includes requests to add 28.0 FTE and to increase funding by roughly \$2.7 million over the biennium.

LFD ISSUE

The budget requests designed to address pre-construction project delivery issues would add nearly \$1.4 million to the annual design costs. Roughly half of these costs are funded with state special revenue, which, as stated in the Agency Discussion section of this report, has questionable stability. The legislature may wish to ask the department to highlight the benefits it expects to gain through these expenditures and as a result of the new staff members.

Funding

Costs eligible for reimbursement under the federal-aid construction program are funded with highways state special revenue funds and federal special revenue funds apportioned to Montana under the federal transportation funding laws authorized in the Transportation Equity Act for the 21st Century (TEA-21). Construction design, construction, and construction management costs as well as direct administrative costs for construction activities are generally eligible for federal reimbursement. The state match requirement is based on a sliding scale match, which is currently 87 percent federal with a 13 percent state match. The 100 percent state-funded construction program is funded entirely with the highways state special revenue fund. The primary sources of revenue for the highways state special revenue funds are highway-user fees derived from motor fuel taxes and gross vehicle weight fees. Traffic safety functions are generally funded 100 percent with National Highway Traffic Safety Administration grant funds. The exception for traffic safety functions is that a small portion (1 percent) of the administrative costs are matched at 50 percent with highways state special revenue funds.

The division receives \$500,000 in general fund for the biennium, which according to Section 61-2-107, MCA, is to be used for county drinking prevention programs. The remaining funding for the 2003 biennium is approximately 20 percent state special revenue and 80 percent federal special revenue.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				644,965					863,220
Vacancy Savings				(1,148,457)					(1,155,004)
Inflation/Deflation				51,865					82,265
Fixed Costs				6,380					7,495
Total Statewide Present Law Adjustments				(\$445,247)					(\$202,024)
DP 2 - Contracted Services for Legal Services									
0.00	0	10,103	2,497	12,600	0.00	0	10,115	2,485	12,600
DP 3 - Environmental Consultant Services									
0.00	0	25,046	25,258	50,304	0.00	0	25,182	25,122	50,304
DP 5 - Traffic Signal Design Training									
0.00	0	20,000	0	20,000	0.00	0	0	0	0
DP 7 - Overtime/Differential									
0.00	0	1,253,180	2,593,182	3,846,362	0.00	0	1,261,702	2,562,006	3,823,708
DP 8 - CMS Adjustment									
(2.21)	0	23,254	20,860	44,114	1.45	0	51,516	99,661	151,177
DP 12 - CADD									
0.00	0	150,833	0	150,833	0.00	0	189,459	0	189,459
DP 13 - Accounting Change - Accruals									
0.00	0	2,656,270	10,625,080	13,281,350	0.00	0	2,656,270	10,625,080	13,281,350
DP 14 - Contractor Payments									
0.00	0	2,090,946	11,820,867	13,911,813	0.00	0	3,611,767	19,720,059	23,331,826
DP 15 - Research									
0.00	0	41,363	222,713	264,076	0.00	0	42,439	221,637	264,076
DP 16 - Crest Stage Gage									
0.00	0	21,303	1,197	22,500	0.00	0	21,307	1,193	22,500
DP 17 - Accounting Change-Traffic Safety Bureau									
0.00	0	270,680	655,117	925,797	0.00	0	78,469	617,328	695,797
DP 18 - Equipment Rental									
0.00	0	198,054	402,111	600,165	0.00	0	201,207	408,511	609,718
Total Other Present Law Adjustments									
(2.21)	\$0	\$6,761,032	\$26,368,882	\$33,129,914	1.45	\$0	\$8,149,433	\$34,283,082	\$42,432,515
Grand Total All Present Law Adjustments				\$32,684,667					\$42,230,491

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - Contracted Services for Legal Services - The executive requests funding for contracted services for expert witnesses and private legal counsel to address workload issues associated with an increasing trend of contract claim legal cases against the department.

LFD ISSUE	The legislature may wish to have the department address the following questions:
	?? What actions have the department taken to determine the causes for the increasing trend in contract claims against the department?
	?? What factors have been determined to be the causes for this increasing trend?
	?? What actions does the department plan to take to address any causal factors within the department's control?

DP 3 - Environmental Consultant Services - The 1999 legislature approved a new proposal allowing procurement of contracted services through which to monitor and maintain areas identified as wetlands, and which are impacted by highway construction projects. A wetlands mitigation program is required if federal-aid highway construction funds are

to be received. The base year appropriation was not fully expended because of delays in implementing the program. This request would fund consultant services to fully implement the program and address the wetlands that would be impacted by construction activity anticipated through the 2003 biennium.

DP 5 - Traffic Signal Design Training - Funding is requested to provide an on-site training course for traffic signal design staff.

DP 7 - Overtime/Differential - The executive requests overtime and differential pay at the base level plus associated benefits.

DP 8 - CMS Adjustment - The department estimates FTE and engineering costs via the Construction Management System using standards that apply to the proposed construction plan. This adjustment would fund a reduction of 2.21 FTE in fiscal 2002 and an increase of 1.45 FTE in fiscal 2003, in combination with adjustments for preliminary and construction engineering functions in support of highway construction. The positions associated with this decision package are grade 8, engineering project aides.

DP 12 - CADD - This request would fund an increase for the software and hardware maintenance contracts for the Computer Aided Drafting and Design system (CADD) and photogrammetry. These contracts offer toll free telephone and e-mail support, software upgrades at no extra cost, monthly user magazines, technical newsletters, and free software enhancements on a quarterly basis.

DP 13 - Accounting Change - Accruals - Funding is requested for increases in consultant services. This adjustment would fund a budget deficit resulting from an accounting policy change that was made by the department to address a Legislative Audit finding.

**LFD
COMMENT**

For more information on the accounting policy change and the impacts of the policy change on the agency budget, please refer to the related discussion provided in the Agency Issues Section of this report.

DP 14 - Contractor Payments - The department estimates when contractor payments will come due based on scheduled delivery for projects contained in the Tentative Construction Program (TCP). The TCP indicates when construction contracts will be let. This information is entered into a computerized management system, the Project Cost Scheduling System that uses information including let dates, type of work, and other project criteria necessary to create estimates relative to contractor payments. Based on this system, increases are anticipated for contractor payments during the 2003 biennium. The executive requests increased funding to pay contractors for highway construction related activities.

DP 15 - Research - This request would fund an increase in research provided by State Planning and Research (SPR) grants. The amount of SPR grants are calculated through use of an allocation formula based on the amount of federal-aid construction funding the state receives. SPR grants lag behind increases in federal-aid funding, which increased by nearly 60 percent in the 2001 biennium due to TEA-21.

**LFD
COMMENT**

The amount of SPR funds the department receives is fixed at 2 percent of the amount of federal-aid construction funding Montana receives from the FHWA. Likewise, TEA-21 requires that research receive 25 percent of the SPR funds.

DP 16 - Crest Stage Gage - The department makes payments to the United States Geological Service (USGS) for crest-stage gage maintenance. An agreement between the department and the USGS fixes the annual payments at \$45,000. Timing of payments left base expenditures at half the annual payment amount, leaving the base short by \$22,500.

**LFD
COMMENT**

The USGS maintains over 500 crest-stage gauging stations in the state. The department uses peak discharge data provided from measured streams in design calculations for new highway culverts, bridge openings, as well as for use and analysis of existing bridge-scour analysis. Data from the crest-stage gages is also used to assess the magnitude and frequency of flood events that could damage highways or adjacent properties and to defend the department in lawsuits or other acts filed as a result of flooding.

DP 17 - Accounting Change-Traffic Safety Bureau - The executive requests funding the Governor's Highway Traffic Safety Program at the level authorized by the 1999 legislature. Funding will cover a budget deficit that resulted from an accounting policy change made by the department to address a Legislative Audit finding.

**LFD
COMMENT**

For more information on the accounting policy change and the impacts of the policy change on the agency budget, please refer to the related discussion provided in the Agency Issues Section of this report.

DP 18 - Equipment Rental - This request would fund the program's share of the increases proposed by the department's Equipment Program.

New Proposals										
Prgm	FTE	General	Fiscal 2002			FTE	General	Fiscal 2003		
			State Special	Federal Special	Total Funds			State Special	Federal Special	Total Funds
DP 1 - Engineering Oversight Bureau										
02	8.00	0	344,194	203,229	547,423	8.00	0	309,173	166,825	475,998
DP 2 - Increase Preliminary Survey										
02	10.00	0	217,666	215,998	433,664	10.00	0	219,579	215,673	435,252
DP 4 - Right/Way FTE										
02	6.00	0	112,405	107,941	220,346	7.00	0	133,893	123,921	257,814
DP 5 - Traffic Engineer FTE										
02	4.00	0	78,811	69,525	148,336	4.00	0	79,442	69,410	148,852
DP 7 - Computer Software for Safety Management										
02	0.00	0	125,370	24,630	150,000	0.00	0	0	0	0
DP 8 - Legal Services FTE										
02	1.00	0	20,212	8,303	28,515	1.00	0	17,896	7,700	25,596
DP 9 - Pavement Analysis/Research Software										
02	1.00	0	48,150	2,290	50,440	1.00	0	48,322	2,279	50,601
DP 10 - Materials Bureau FTE										
02	3.00	0	22,197	88,788	110,985	3.00	0	22,269	89,078	111,347
DP 11 - Funding Adjustments										
02	0.00	0	(26,259,325)	26,259,325	0	0.00	0	(24,969,749)	24,969,749	0
Total	33.00	\$0	(\$25,290,320)	\$26,980,029	\$1,689,709	34.00	\$0	(\$24,139,175)	\$25,644,635	\$1,505,460

New Proposals

DP 1 - Engineering Oversight Bureau - The executive recommends funding the creation of an Engineering Oversight Bureau, which would include adding 8.00 FTE. The bureau would review, evaluate, and make recommendations for improvements relative to the department construction project processes. The new bureau would develop and implement a construct ability plan and create a review process aimed at improving the quality of project plans. The bureau would also implement a formal post-construction review process facilitating the exchange of information between construction and design personnel with an eye to improving the design and plan quality. Funding would also be used to develop a training program for field construction personnel. This request would add 6.0 FTE grade 18, engineering managers, 1.0 FTE grade 13, civil engineering specialist, and 1.0 FTE grade 11, administrative support position.

**LFD
COMMENT**

The department states that the new Engineering Oversight Bureau is expected to improve the way the department performs all aspects of highway construction design and project oversight; and would provide the following practical outcomes through the review and evaluation of all construction processes:

- ?? reduce the number of change orders on construction projects;
- ?? reduce the project costs through smarter designs and therefore fewer change orders;
- ?? improve the quality of construction plans and specifications;
- ?? improve the final quality of projects and project oversight; and
- ?? improve project scheduling and planning.

**LFD
ISSUE**

This is one of four related requests within the department. Please refer to "Performance Audit of Pre-construction Project Delivery" contained in the Program Narrative Section for this program for further discussion of this and related requests.

DP 2 - Increase Preliminary Survey - Increased funding provides for the addition of 10.0 FTE grade 13 surveyors, as well as setup and operating costs to establish a three-person land survey crew in each of the five financial districts. The survey crews would provide professional land survey services and would complete pre-construction surveys and other priority surveys while traditional construction survey crews were working on construction projects and unavailable to accomplish these tasks in a timely fashion.

**LFD
COMMENT**

An audit commissioned by the department identified survey functions as the causes for the project delays that result in increased cost. Department staff has stated that delays are due to workload issues associated with the increased number of projects rising from increased federal-aid highway construction funding. Because there have been more projects there has been more survey work. Staff has not increased accordingly.

**LFD
ISSUE**

This is one of four related requests within the department. Please refer to "Performance Audit of Pre-construction Project Delivery" contained in the Program Narrative Section for this program for further discussion of this and related requests.

DP 4 - Right/Way FTE - A funding increase is requested to add 6.0 FTE in fiscal 2002 and 7.0 FTE in fiscal 2003. These positions would help address the increased workload in department right-of-way functions resulting from the expanded federal-aid construction program. This request would add 2.0 FTE grade 10, compliance technician; 1.0 FTE in fiscal 2002 (2.0 FTE in fiscal 2003) grade 12, civil engineering specialists; 1.0 FTE grade 14, right-of-way agent, 1.0 FTE grade 14, position not yet classified, and 1.0 FTE grade 15, review appraiser.

**LFD
ISSUE**

This is one of four related requests within the department. Please refer to "Performance Audit of Pre-construction Project Delivery" contained in the Program Narrative Section for this program for further discussion of this and related requests.

DP 5 - Traffic Engineer FTE - This request would fund the addition of 3.00 FTE grade 14, traffic engineering specialists to support construction design, traffic corridor studies, traffic improvement engineering, and traffic access management. This request would also fund the addition of 1.00 FTE grade 9, drafter, who would prepare collision diagrams for the analysis of accident clusters.

**LFD
ISSUE**

This is one of four related requests within the department. Please refer to "Performance Audit of Pre-construction Project Delivery" contained in the Program Narrative Section for this program for further discussion of this and related requests.

DP 7 - Computer Software for Safety Management - The Executive Budget requests funding through which computer programs that perform accident analysis could be modified. The modifications would make the programs compatible with process changes adopted by the Montana Highway Patrol (MHP) that provide short forms for reporting traffic accidents involving only property damage. MHP would keep the existing long form for fatal accidents, injury accidents, and accidents involving commercial vehicles. Additionally, programs would be modified such that they were compatible with the two-dimensional plane coordinate reference system adopted by the state.

DP 8 - Legal Services FTE - The executive recommends funding the addition of 1.00 FTE grade 10, legal secretary who would provide administrative support for agency legal staff. The department reclassified the position that previously performed administrative support to paralegal status.

DP 9 - Pavement Analysis/Research Software - This request would fund the addition of 1.00 FTE grade 15, information systems support position to provide support and development for four specialized software packages and four large databases used by the pavement analysis and research section.

DP 10 - Materials Bureau FTE - The Executive Budget increases funding for the addition of 3.00 FTE, who would address workload increases associated with project level analysis of surfacing design and materials performance. The positions added would include 1.00 FTE grade 12, designer and 2.00 FTE grade 12, civil engineering specialists. The workload has increased due to a combination of the increased federal-aid construction funding and the complexity of work required by the Superpave Program.

DP 11 - Funding Adjustments - A funding switch from state to federal special revenue is requested, in order to more closely match funding anticipated with delivery of projects included in the Tentative Construction Plan. The impacts of an accounting policy change made by the department in combination with non-federal participating overhead costs during the base year skewed the base year funding. Another change with potential impact on federal and state funding percentages is a reduction of the state funded construction program to \$10 million per year.

Language Recommendations

The following language is recommended for HB 2:

"Item 2 includes a total of \$63,690 for the 2003 biennium for the Montana natural resources information system. Quarterly payments must be made upon receipt of the bills from the state library up to the total amount appropriated."

"All appropriations in the construction program are biennial."

Program Proposed Budget									
Budget Item	Base Budget Fiscal 2000	PL Adjustment Fiscal 2002	Base New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Adjustment Fiscal 2003	Base New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03	
FTE	717.93	64.35	1.00	783.28	64.35	1.00	783.28	783.28	
Personal Services	26,665,520	6,533,126	28,401	33,227,047	6,705,842	28,498	33,399,860	66,626,907	
Operating Expenses	42,079,789	5,693,598	394,660	48,168,047	5,919,964	373,660	48,373,413	96,541,460	
Equipment	160,428	0	71,922	232,350	0	23,896	184,324	416,674	
Capital Outlay	66,384	0	0	66,384	0	0	66,384	132,768	
Total Costs	\$68,972,121	\$12,226,724	\$494,983	\$81,693,828	\$12,625,806	\$426,054	\$82,023,981	\$163,717,809	
State/Other Special	68,159,583	10,810,769	(2,367,133)	76,603,219	11,209,851	(2,436,062)	76,933,372	153,536,591	
Federal Special	812,538	1,415,955	2,862,116	5,090,609	1,415,955	2,862,116	5,090,609	10,181,218	
Total Funds	\$68,972,121	\$12,226,724	\$494,983	\$81,693,828	\$12,625,806	\$426,054	\$82,023,981	\$163,717,809	

Program Description

The Maintenance Program is responsible for preserving and maintaining a safe and environmentally-sound state highway transportation system and related facilities. Major maintenance activities include the patching, repair, and periodic sealing of highway surfaces; snow removal; and sanding.

Funding

The Maintenance Program is primarily funded with highways state special revenue. Federal special revenue also funds a portion of the costs associated with the road reporter functions as well as qualifying highway maintenance activities. For the 2003 biennium, state special revenue provides roughly 93.8 percent of the program's funding; federal special revenue provides the remaining 6.2 percent.

LFD COMMENT

The 1999 legislature shifted \$20.7 million of funding from state to federal special revenue in order to leverage highway maintenance activities with federal funds. During the 2001 biennium, the department reduced federal special revenue and increased state special revenue through a transfer to and with the Construction Program. The department stated that it did not have the resources available to provide contract oversight for the expenditure of federal funds on maintenance activities. The executive has requested resources in the General Operations Program to provide for the contract administration of the Maintenance Program in DP 8, Contracts Officer.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				2,772,276					2,941,904
Vacancy Savings				(806,776)					(811,865)
Inflation/Deflation				128,810					139,675
Fixed Costs				(438)					(438)
Total Statewide Present Law Adjustments				\$2,093,872					\$2,269,276
DP 1 - Secondary Roads Implementation									
36.35	0	6,224,326	1,352,914	7,577,240	36.35	0	6,355,911	1,352,914	7,708,825
DP 2 - Temporary Winter Maintenance FTE									
26.00	0	947,360	0	947,360	26.00	0	950,681	0	950,681
DP 3 - Road Reporting									
2.00	0	262,475	0	262,475	2.00	0	262,677	0	262,677
DP 4 - Road Reporting "IT"									
0.00	0	7,005	63,041	70,046	0.00	0	7,005	63,041	70,046
DP 5 - Overtime									
0.00	0	1,899,570	0	1,899,570	0.00	0	1,899,570	0	1,899,570
DP 7 - Preventive Maintenance Reduction									
0.00	0	(4,180,000)	0	(4,180,000)	0.00	0	(4,180,000)	0	(4,180,000)
DP 10 - Operating Expenses									
0.00	0	472,127	0	472,127	0.00	0	526,987	0	526,987
DP 11 - Rest Areas Non-interstate									
0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000
DP 12 - Equipment Rental									
0.00	0	2,811,435	0	2,811,435	0.00	0	2,834,000	0	2,834,000
DP 13 - Rent for Annex Building									
0.00	0	122,599	0	122,599	0.00	0	133,744	0	133,744
Total Other Present Law Adjustments									
64.35	\$0	\$8,716,897	\$1,415,955	\$10,132,852	64.35	\$0	\$8,940,575	\$1,415,955	\$10,356,530
Grand Total All Present Law Adjustments				\$12,226,724					\$12,625,806

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Secondary Roads Implementation - The executive increases funding for the addition of 36.35 FTE grade 7, maintenance technicians and other resources to maintain paved secondary roads in the state. This request provides for the full implementation of SB 333 passed by the 1999 legislature, which transferred these maintenance responsibilities from counties to the state. Funding would also allow for maintenance of an additional 25 centerline miles (50 lane miles) of secondary roads that currently have gravel surfaces, but will be paved and become eligible for department maintenance by January 2001.

LFD COMMENT

The 1999 legislature passed SB 333, transferring the responsibility for maintaining paved secondary roads from local government to the department. SB 333 requires the department to take over the maintenance of paved secondary roads as of January 1, 2001. The department has phased in the implementation of the program. One-quarter of the staff (36.5 FTE) and resources were added in fiscal 2000. Additional staff (73.0 FTE) and resources were added in fiscal 2001, thus bringing the program to three-quarter staffing. The base includes the additional 73.0 FTE. The base adjustments for the addition of the 73.0 FTE account for nearly all of the fiscal 2002 statewide present law adjustment; \$2.77 million of the fiscal 2003 statewide present law adjustments are also included in the base adjustment. The phased approach was used to purchase necessary materials and equipment and to hire and train personnel prior to the full-implementation deadline of January 1, 2001. Phased implementation began on July 1, 2000, as workers and equipment become available.

DP 2 - Temporary Winter Maintenance FTE - The executive recommends increased funding to add 26.0 FTE grade 7, maintenance technicians to fill temporary winter maintenance positions. This request would provide permanent funding in personal services for resources previously funded by the legislature as contracted services.

**LFD
ISSUE**

It was the intent of the 1999 legislature not to add permanent staffing positions for winter maintenance. However, the legislature approved funding at a level equivalent to 26.0 FTE in the operating expenses category, so that winter maintenance could be performed. The program subsequently received authorization from the executive to move budget authority from operating expenses to personal services and to add modified (temporary) staffing.

DP 3 - Road Reporting - This request would fund the addition of 2.0 FTE grade 8, administrative support positions and operating costs to provide road information services to the traveling public in Montana. Funding for the program was approved by the 1999 legislature in a one-time-only appropriation. Permanent funding is requested for the positions that gather and report winter driving conditions, location of summer road construction and maintenance work, and spring load limit restrictions for the Motor Carrier Services Division.

**LFD
COMMENT**

The 1999 legislature approved funding to add 1.5 FTE as a one-time-only appropriation. This request would increase funding for an additional 0.5 FTE above the level the 1999 legislature authorized as temporary authority. The 1999 legislature also directed the department to provide a report to the 2001 legislative appropriations subcommittee in which the status and accomplishments of the road reporters and remote weather information sites were detailed. The report was also to identify any productivity improvements resulting from the use of the new technology. Further discussion of reports required by the 1999 legislature can be found under the heading "Reports Required by the 1999 Legislature" in the Agency Discussion Section of this report.

DP 4 - Road Reporting "IT" - The Executive Budget includes funding for the toll free telephone lines for travelers who use the road reporting services in Montana.

DP 5 - Overtime - The executive requests overtime and differential pay at the base level plus associated benefits.

DP 7 - Preventive Maintenance Reduction - The Executive Budget includes a reduction of pavement preservation activities (e.g., thin lift overlays, chip seals, and crack-joint filling).

**LFD
COMMENT**

The department has included this request to offset a projected shortage in the highways state special revenue account.

DP 10 - Operating Expenses - This adjustment would fund increases in operating costs, for supplies such as hand tools and equipment; disposable repair and maintenance supplies and materials such as traffic line paint, and liquid deicer; communication costs for additional telephone lines for computers in maintenance section houses; and contracted telephone system maintenance. The additional telephone lines for section houses would provide a direct link with each maintenance section house in the state.

DP 11 - Rest Areas Non-interstate - The executive recommends a funding increase for maintenance contracts for non-interstate rest areas in Montana. All rest area janitorial and light maintenance duties are contracted from the private sector. Maintenance contract costs have increased because contractual requirements have been increased to address user complaints.

DP 12 - Equipment Rental - This request would fund the program's share of proposed increases to the department's

Equipment Program.

DP 13 - Rent for Annex Building - The Executive Budget includes adjustments to fund increased rental costs for additional office space in Helena. The department contracted with the Department of Administration for additional office space to house staff added due to the increased federal-aid construction program.

New Proposals										
Program	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 1 - Two-way Radio Communications Equipment										
03	0.00	0	187,282	0	187,282	0.00	0	100,400	0	100,400
DP 2 - Funding Adjustments										
03	0.00	0	(2,862,116)	2,862,116	0	0.00	0	(2,862,116)	2,862,116	0
DP 3 - Radio Replacement Bozeman and Butte										
03	0.00	0	167,700	0	167,700	0.00	0	167,700	0	167,700
DP 5 - Weed Coordination FTE										
03	1.00	0	28,401	0	28,401	1.00	0	28,498	0	28,498
DP 8 - Highway Lighting Agreement										
03	0.00	0	111,600	0	111,600	0.00	0	129,456	0	129,456
Total	1.00	\$0		\$2,862,116	\$494,983	1.00	\$0		\$2,862,116	\$426,054
			(\$2,367,133)					(\$2,436,062)		

New Proposals

DP 1 - Two-way Radio Communications Equipment - The executive requests funding for the acquisition of additional two-way radio equipment (vehicle radios), local base stations, and hand-held and low power radios. The additional equipment would provide mobile communication for construction, maintenance, motor carriers, and other personnel within the department who support the increased federal-aid construction program and the implementation of the secondary roads program, and who do not have radio communication capabilities.

LFD ISSUE This request is to fund the acquisition of equipment needed to accommodate stepped growth in program size. A portion of the cost is for one-time outfitting costs; a portion would be needed to provide ongoing replacement for the expanded equipment inventory and should have a delayed impact. As such, the legislature may wish to designate an appropriation for this request as one-time-only.

DP 2 - Funding Adjustments - The executive recommends a funding shift to reduce state special revenue and increase federal special revenue by an equal amount in order to establish state to federal funding levels as anticipated for the 2003 biennium.

LFD COMMENT Fiscal 2000 was the first year federal funds could be used to provide for the maintenance of federal-aid highways. Because of this, the department and Federal Highway Administration personnel spent much of fiscal 2000 establishing criteria for maintenance projects eligible for federal reimbursement. Federal and state special revenue authority of equal amounts were subsequently switched between the Maintenance Program and the Construction Program. This request would restore the federal funding for maintenance activities authorized by the 1999 legislature.

DP 3 - Radio Replacement Bozeman and Butte - This request would fund the replacement of mobile two-way radio units in the Butte and Bozeman districts. The mobile radio units in the Butte and Bozeman districts are between 13 and 15 years old and cannot be programmed for use in other areas in the state. In addition, the manufacturer no longer supports parts for these radios.

**LFD
ISSUE**

The funding is for the non-routine replacement of equipment with a life cycle of greater than 10 years. As such, the legislature may wish to designate an appropriation to fund this request as one-time-only.

DP 5 - Weed Coordination FTE - The Executive Budget includes a request to fund the addition of 1.00 FTE grade 12, position to coordinate noxious weed management. The position would identify infestations, develop and maintain 6-year noxious weed control plans, administer weed control contracts, and monitor the effectiveness of noxious weed controls.

**LFD
COMMENT**

The department is responsible for controlling weeds along all state and federal highways. In support of this responsibility, the department contracts for weed control along roadways in each county. The department must also provide certification that sand and gravel stockpiles are free of noxious weeds. This position would coordinate roughly \$835,000 in weed control contracts each fiscal year.

DP 8 - Highway Lighting Agreement - The executive requests funding contracted services for maintenance of roadway lighting. This request would provide funding to maintain an additional 2,320 luminaries in addition to the roughly 5,100 luminaries currently under contract.

Language Recommendations

The following language is recommended for HB 2:

"All appropriations in the maintenance program are biennial."

Proprietary Rates

Program Description

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components: 1) the daily rental fleet; and 2) the out-stationed lease fleet. The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment to agencies statewide. The program has 6.0 FTE.

Revenues and Expenses

The State Motor Pool is responsible for expenditures associated with the acquisition, repair, maintenance, and routine operating costs for a fleet of 640 vehicles. The operating costs and revenues for the fleet are functionally tied to the travel requirements of the various user agencies. The program has increased from 318 units in fiscal 1994 to 640 in fiscal 2000. During that time, mileage increased from 4.1 million to 10.2 million miles; the program projects an additional 2.5 million miles by the end of fiscal 2003. This growth in the number of miles traveled is largely due to the practice of the Office of Budget and Program Planning requiring agencies to lease new vehicles from the State Motor Pool instead of allowing agencies to purchase vehicles directly.

The program uses loans from the Board of Investments (BOI) to fund vehicle purchases. Interest rates on BOI loans are adjusted annually and vary from one purchase cycle to the next. The outstanding loan balance and interest and principal payments have the greatest impacts on motor pool rental rates. Rental rates are set to recover sufficient revenue to meet loan principal and interest payments, operating costs, and allow maintenance of no more than a 60-day working capital balance. If the program does not generate sufficient revenue to make interest and principal payments, assets would have to be sold to satisfy the loan obligations.

Report on Internal Service & Enterprise Funds, 2003 Biennium

	Fund Number 06506	Fund Name Motor Pool - Internal Service	Agency Number 5401	Agency Name Department of Transportation	Program Name			
Fund Balance Information								
	FY96	FY97	FY98	FY99	FY00	Estimated FY01	Estimated FY02	Estimated FY03
Beginning Retained Earnings	1,173,725	1,168,189	1,174,795	1,118,590	1,372,393	1,949,363	1,949,363	2,618,689
Increases								
Fee Revenue	806,915	895,273	1,531,161	2,358,610	3,430,397	2,786,737	4,117,774	4,901,378
Investment Earnings	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Miscellaneous, operating	-	-	-	-	-	-	-	-
Miscellaneous, other	33,510	194,949	-	-	5,182	152,359	150,000	150,000
Total Increases	840,425	1,090,222	1,531,161	2,358,610	3,435,579	2,939,096	4,267,774	5,051,378
(Decreases)								
Personal Services	169,812	175,502	203,622	224,626	204,463	219,396	238,258	245,406
Operations	676,149	885,198	1,109,032	1,504,180	2,398,824	2,286,590	2,809,952	3,147,135
Transfers Out	-	-	-	-	-	-	-	-
Miscellaneous, operating	-	22,916	211,880	377,199	393,058	433,110	550,238	577,714
Miscellaneous, other	-	-	46,753	1,862	22,895	-	-	-
Total Decreases	845,961	1,083,616	1,571,287	2,107,867	3,019,240	2,939,096	3,598,448	3,970,255
Adjustments to Beginning Retained Earnings	-	-	(16,079)	3,060	160,631	-	-	-
Ending Retained Earnings	1,168,189	1,174,795	1,118,590	1,372,393	1,949,363	1,949,363	2,618,689	3,699,812
Total Contributed Capital	1,302,905	10,086	10,086	-	-	-	-	-
Total Fund Equity	2,471,094	1,184,881	1,128,676	1,372,393	1,949,363	1,949,363	2,618,689	3,699,812
Unreserved Fund Balance								
60 Days of Expenses (i.e. total of personnel services, operations, and miscellaneous operating divided by 6)	140,994	180,603	254,089	351,001	499,391	489,849	599,741	661,709

Revenue is generated through rentals and sales of surplus assets. Vehicle rental rates provide the majority of the revenue for the program. The motor pool also receives revenues resulting from accident damages reimbursed by private

individuals or insurance companies. The amount generally covers the expenditures to repair the damage.

The Report on Internal Service & Enterprise Funds, 2003 Biennium for fund 06506 shows historical and projected revenues, expenses, fund equity, and retained earnings for the State Motor Pool internal service fund. The report has been modified since the Executive Budget was transmitted to the Legislative Fiscal Analyst to correct an error in the report. This error is discussed further in the LFD Issue following the proposed rates.

Rate Explanation

The motor pool rental rates are based on a two-tiered rate structure. Users pay a usage rate and a possession rate. The usage rate is charged for actual miles driven and allows the program to recover variable costs directly related to the operation of the vehicle, such as repair labor and parts, fuel, lubricants, tires, and tubes. The possession rate allows the program to cover fixed costs associated with state ownership, such as insurance, principal and interest payments on BOI loans, depreciation, and other indirect expenses. The two-tiered rate structure is proposed for the 2003 biennium to: 1) provide adequate revenue to make loan payments and other cost obligations; and 2) provide equity among all vehicles classes so that one vehicle class does not subsidize another vehicle class. During the 2001 biennium, the legislature approved rates based on the higher of a per mile rate or a daily rate imposed if a vehicle traveled less than 33 miles per day.

The rates for the 2003 biennium using the two-tiered structure would be applied as follows for the two components of the motor pool:

Daily rental:

Cost (per occurrence) = (HR x AR) + (AM x MR),

Out-stationed lease:

Cost (annual) = (2920 x AR) + (AM x MR),

where:

HR = number of hours the vehicle was used (maximum of 8 hours for each day of use, including weekends);

AR = per hour assigned rate;

AM = actual miles traveled

MR = per mile operated rate.

The rates proposed by the State Motor Pool in the Executive Budget are listed on Table 7A.

Table 7A						
State Motor Pool Requested Rates						
Vehicle Class	Description	Assigned Rental Hours	2002		2003	
			Per Hour Assigned	Per Mile Operated	Per Hour Assigned	Per Mile Operated
02	Small Utilities	2920	1.597	0.022	1.600	0.022
04	Large Utilities	2920	2.116	0.056	2.335	0.056
06	Passenger Cars	2920	1.501	0.054	1.643	0.054
07	Small or Std Size Pickups	2920	1.270	0.030	1.260	0.030
11	Large 4X4 Pickups	2920	1.832	0.056	2.334	0.056
12	Vans	2920	1.449	0.071	1.632	0.071

**LFD
ISSUE**

Subsequent to submission of the Executive Budget to the Legislative Fiscal Analyst (LFA), an error was identified in the methodology for determining the State Motor Pool rates. Because of this error, the rates previously proposed would leave the program short of revenues by \$331,319 in fiscal 2002 and \$357,319 in fiscal 2003. Instead of approving the rates presented in Table 7A, the motor pool requests that the legislature approve the rates shown on Table 7B. The newly proposed rates would, on average, correspond to increases of 26.46 percent in fiscal 2002 and 35.58 percent in fiscal 2003 from the base year rates.

The rates that were included in the original Executive Budget submission were used to allocate fixed costs and inflate budgets for agencies that use motor pool rentals and leases. If the legislature approves the new rates, adjustments would be needed in all agencies in order to receive budget authority to pay the higher rates.

Table 7B State Motor Pool Requested Rates						
Vehicle Class	Description	Assigned Rental Hours	2002		2003	
			Per Hour Assigned	Per Mile Operated	Per Hour Assigned	Per Mile Operated
02	Small Utilities	2920	1.597	0.104	1.600	0.104
04	Large Utilities	2920	2.116	0.104	2.335	0.104
06	Passenger Cars	2920	1.501	0.072	1.643	0.072
07	Small or Std Size Pickups	2920	1.270	0.108	1.260	0.108
11	Large 4X4 Pickups	2920	1.832	0.108	2.334	0.108
12	Vans	2920	1.449	0.108	1.632	0.108

The legislature has four options regarding the State Motor Pool rates:

- ?? approve the new rates and recommend increases to all related budgets;
- ?? approve the new rates and recommend that no changes be made to the corresponding budgets in other agencies;
- ?? approve the original rates as included in the Executive Budget; or
- ?? approve rates other than those proposed.

Significant Present Law

PL1: Vehicle Acquisition - The program would replace 111 vehicles in fiscal 2002 and 110 vehicles in fiscal 2003. The executive also recommends increasing the out-stationed vehicle fleet by 138 vehicles in fiscal 2002 and by 56 vehicles in fiscal 2003. Units to be replaced will have reached their anticipated economic life at the time of replacement.

Rate Impact: Please refer to the LFD Issue following the adjustment descriptions for a discussion of the relationship between the proposed initiatives and the proposed rates for the State Motor Pool.

**LFD
COMMENT**

The motor pool manages the fleet used for daily rentals and outstation leases as one fleet. Leased vehicles of similar classes are rotated between users within agencies, across agencies, and between the daily rental pool and the leased fleet to balance usage and mileage. The motor pool fleet has grown from 180 vehicles in 1990 to 640 vehicles in fiscal 2000. The fleet would grow to 834 vehicles by the end of the 2003 biennium with the acquisition of the new vehicles proposed in the Executive Budget.

PL2: Overtime for Motor Pool - The executive requests overtime and differential pay at the base level plus associated benefits.

Rate Impact: Please refer to the LFD Issue following the adjustment descriptions for a discussion of the relationship between the proposed initiatives and the proposed rates for the State Motor Pool.

PL3: Operating Costs - This request would fund increases for operating costs resulting from the expanded daily rental and out-station leased vehicle fleets. Increases are primarily due to additional parts and increased motor fuel costs.

Rate Impact: Please refer to the LFD Issue following the adjustment descriptions for a discussion of the relationship between the proposed initiatives and the proposed rates for the State Motor Pool.

PL4: Increase in Interest Payment - This request would fund increases in interest costs for operating loans from the Board of Investment (BOI). Operating loans have increased as a direct result of the expansion of the motor pool fleet for both daily rentals and agency assigned leased vehicles.

Rate Impact: Please refer to the LFD Issue following the adjustment descriptions for a discussion of the relationship between the proposed initiatives and the proposed rates for the State Motor Pool.

New Proposals

NP1: Motor Pool Reservation System - This request would fund the acquisition of an automated vehicle reservation system for the Helena motor pool fleet. The system would allow users to schedule a vehicle on-line electronically, and would free staff from spending time on the telephone and manually scheduling reservations to perform other duties, which have increased with fleet growth.

Rate Impact: Please refer to the LFD Issue following the adjustment descriptions for a discussion of the relationship between the proposed initiatives and the proposed rates for the State Motor Pool.

NP2: Equipment/Motor Pool Management System - The executive recommends replacing the Motor Pool Management System (MPMS) with a new management system integrated with the Equipment Management System (EMS). The MPMS resides on a computer environment that is obsolete and cannot be easily adapted to new technology. The system would be replaced with a system that uses current computer technology and standards.

Rate Impact: Please refer to the LFD Issue following the adjustment descriptions for a discussion of the relationship between the proposed initiatives and the proposed rates for the State Motor Pool.

LFD ISSUE

Statewide Budgets for Motor Pool Payments

The Executive Budget includes allocations for payments to the motor pool through two expenditure codes for totals of \$6.4 million for fiscal 2002 and \$7.3 million for fiscal 2003. The base for these motor pool payments was \$4,022,306. The budgets for motor pool payments include increases of 58.3 percent in fiscal 2002 and 82.6 percent for fiscal 2003. As stated earlier, the Executive Budget rates were determined with the anticipation that the out-stationed motor pool fleet would grow by 194 vehicles.

The primary factor for the growth of the out-stationed fleet is the practice of the Governor's budget office to approve new or replacement vehicles for agencies by increasing the out-stationed lease program instead of approving agency vehicle purchases of vehicles. As such, there should be a corresponding decrease in agency budgets to purchase vehicles and for vehicle operating and maintenance costs. On a statewide level, this is not the case: total HB 2 budgets are higher in fiscal 2002 and fiscal 2003 than in the base. HB 2 budgets for vehicle purchases increase by 13.8 percent in fiscal 2002 and by 17.2 percent in fiscal 2003, while HB 2 budgets for operating and maintenance costs increase by 10.7 percent in fiscal 2002 and by 8.6 percent in fiscal 2003.

Budget Initiative Impacts on Rates

Several factors make it difficult to identify the direct impact each budget initiative has on changes in rates between the 2001 biennium and the 2003 biennium:

- ?? the proposed rate structure has changed from a single rate per vehicle class to a two-tiered rate for each class of vehicles;
- ?? during the 2001 biennium the motor pool fleet was grouped into four vehicle classes; the fleet is grouped into six classes for the 2003 biennium; and
- ?? the motor pool relies on loans from the Board of Investments to finance capital acquisitions. Loans are repaid in five years.

**LFD
ISSUE**

Table 7C shows how the rate for each class of vehicle changed from the base rate to the new rate proposed after the Executive Budget was submitted to the LFA. For fiscal 2002, the table shows that rates increase from 3.2 percent for class 02 to 62.1 percent for class 11. For fiscal 2003, the rate increases range from 3.3 percent for class 02 to 97.9 percent for class 11. The composite rate increases are 29.1 percent for fiscal 2002 and 40.2 percent for fiscal 2003 over the rates the legislature approved for fiscal 2000. The composite rate increases factor in the number of vehicles in each class during fiscal 2000. The change was determined by comparing the revenue that would be generated by each rate using the fiscal 2000 average miles traveled for each class and 2920 hours for the assigned time rates in the 2003 biennium.

Table 7C
Motor Pool Rates
Rate Changes by Class of Vehicles

Class	Vehicle Mileage	2000 Rates	2002 Rates Revenue	Change	2003 Rates Revenue	Change
02	16127	\$6,144	\$6,340	3.2%	\$6,349	3.3%
04	16127	6,144	7,856	27.9%	8,495	38.3%
06	14690	4,275	5,441	27.3%	5,855	37.0%
07	12068	4,103	5,012	22.1%	4,983	21.4%
11	12068	4,103	6,653	62.1%	8,119	97.9%
12	11691	4,267	5,494	28.7%	6,028	41.3%

Weighted average increase 29.1% 40.2%

The estimated revenues were calculated using the fiscal 2000 mileages for each class to determine the fiscal years 2002 and 2003 per vehicle revenues and the assumption that the vehicles would be used for 2920 hours per year (365 days at 8 hours per day). The weighted average increase for all vehicles was calculated using the fiscal 2000 vehicle counts for each class.

The motor pool manages the daily rental fleet and out-stationed lease fleet as a single fleet. The operating costs for the program can be divided into two categories:

- ?? fixed costs - costs that can not be directly tied to the usage of vehicles, including insurance, facility rent, and loan payments; and
- ?? variable costs - costs that are directly related to the use of vehicle, such as gasoline, tires, and oil.

The two-tiered rate structure is proposed in order to more closely tie rental payments to cost categories. The usage rate covers variable costs and the assigned time rate covers fixed costs. Table 7D shows the relationship between the factors causing the increase in program expenditures over the base expenditures and the proposed rates. The relationship between each separate initiative and the growth of rates cannot be uniquely determined as the table attempts to show. This is because many of the initiatives are related to other initiatives.

For example, the initiative to purchase vehicles increases loan principal payments and the amount of interest the program would pay on the loans to purchase the vehicles. More vehicles would also increase the depreciation expense and the costs involved in operating and maintaining the fleet.

Table 7D
Motor Pool Expenses Impacting Rates

	Fixed Cost		Variable Cost		Total Expenses		Percent of Total		Impact of Rate	
	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
PL1 (vehicles)	\$ 545,313	\$ 1,182,103			\$ 545,313	\$ 1,182,103	40.9%	49.4%	11.9%	19.8%
PL4 (interest)	152,688	300,451			152,688	300,451	11.5%	12.5%	3.3%	5.0%
Depreciation new vehicles	310,663	484,744			310,663	484,744	23.3%	20.2%	6.8%	8.1%
PL3 (operating costs)			205,000	260,000	205,000	260,000	15.4%	10.9%	4.5%	4.4%
PL2 (overtime)	2,408	2,408			2,408	2,408	0.2%	0.1%	0.1%	0.0%
NP1 (reservation system)	37,500	37,500			37,500	37,500	2.8%	1.6%	0.8%	0.6%
NP2 (E/MP management system)	37,500	37,500			37,500	37,500	2.8%	1.6%	0.8%	0.6%
Statewide personal service	30,876	32,551			30,876	32,551	2.3%	1.4%	0.7%	0.5%
Inflation/fixed cost allocations	10,186	57,747			10,186	57,747	0.8%	2.4%	0.2%	1.0%
	\$ 1,127,134	\$ 2,135,004	\$ 205,000	\$ 260,000	\$ 1,332,134	\$ 2,395,004			29.1%	40.2%
Base	510,014	511,689	708,851	708,851	1,218,865	1,220,540				
Depreciation existing fleet	1,431,750	1,557,056			1,431,750	1,557,056				
Total Motor Pool Expenses (LFD)	<u>\$ 3,068,898</u>	<u>\$ 4,203,749</u>	<u>\$ 913,851</u>	<u>\$ 968,851</u>	<u>\$ 3,982,749</u>	<u>\$ 5,172,600</u>				
Percent of Total Expenses	77.1%	81.3%	22.9%	18.7%						

Table 7D shows that the fiscal 2002 rate would increase by 11.9 percent to pay the increased principal payments for vehicles purchased in fiscal 2002. In total, the 2002 rates would increase by nearly 26.5 percent because of the growth of the fleet.

**LFD ISSUE
(Continue)**

If the legislature wishes to change the number of vehicles included in the motor pool rate request, the following actions would be needed:

- ?? the motor pool would need to calculate new rates for approval by the legislature;
- ?? adjustments to the budgets for payments to the motor pool would need to be determined and approved by the legislature; and
- ?? the legislature should consider whether the budgets for programs requesting vehicles should be adjusted to allow the programs to purchase and maintain the vehicles.

Language Recommendations

“The motor pool program may charge rates necessary to establish and maintain a 60-day working capital balance to operate the program.”

**LFD
ISSUE**

Language proposed by the executive conflicts with the specific rates also proposed by the executive. Section 17-7-123, MCA, directs the legislature to approved fees and charges for services provided by internal service funds. As stated in the LFD Issue included in the Agency Issues Section for the Department of Administration, legislative approval of a 60-day working capital rate is meaningless and does not satisfy the intent for which the requirement was established. As such, the legislature may wish to forego approving the language and approved the specific rates proposed for each class of vehicle.

Proprietary Rates

Program Description

The Equipment Program is responsible for the acquisition, disposal, and repair and maintenance of a fleet of approximately 4,000 individual units used by other programs of the Department of Transportation. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units, and other specialized equipment. The program has 120.0 FTE.

Revenues and Expenses

The Equipment Program fleet size is projected to increase over the 2003 biennium because the department will be taking over maintenance of secondary roads. The program is requesting 2.0 additional FTE due to the increase in fleet size. Operation costs and revenue for the fleet are functionally tied to the severity of the winter, construction program workload, and travel requirements of the various department users. Annual mileage and hours of usage can vary significantly. The program anticipates an increase in miles of travel and hours of usage due to the secondary road program. Additional funding would be used to cover the increased expenditures for fuel, cutting edges for snowplows, and repair parts anticipated as a result of the increased usage.

The program rental rates are set to recover sufficient revenue to purchase assets, cover normal operating expenses, and maintain no more than a 60-day working capital balance. Revenue is generated through rental rates, sale of surplus assets, and damage settlements. The primary source of revenue is user rentals charged for the use and possession of vehicles and equipment.

The Equipment Program is internal to the Department of Transportation. The cash flow is dependent on the rental revenue received and from the auction proceeds of fleet units sold. Rental revenue varies with the season, weather conditions, and workloads. If there is a light winter season, there is low use and little revenue. If there is a heavy winter season, there is high use and additional rental received. The program cash balance is generally less than the allowable 60-day working capital balance. With less than 60 days of working capital, the program does not have sufficient cash to cover obligations that must be met at the beginning of each fiscal year. To meet those obligations, the program negotiates an inter-entity loan from the Construction Program. The loan covers day-to-day operating expenses and the annual insurance payment until revenues have a chance to catch up with expenses. The loan is repaid by fiscal year end. The program rental rates will generate sufficient revenue to purchases assets and cover normal operating expenses, without exceeding the 60-day working capital balance.

The historical and projected revenues, expenses, retained earnings, and fund equity are shown on the Report on Internal Services & Enterprise Funds, 2003 Biennium for fund number 06508.

Rate Explanation

Rental rates are based on a two-tiered rate structure. Users pay a usage rate and a possession rate. The usage rate is charged for actual miles driven or actual hours of operation and allows the program to recover variable costs directly related to the operation of the vehicle or piece of equipment, including repair labor and parts, fuel, lubricants, tires, and tubes. The possession rate allows the program to cover fixed costs associated with state ownership of the vehicle, including insurance, interest, principal payment, depreciation, and other indirect expenses. Rental rates are adjusted yearly. The rates are based on the actual operating costs for each subclass during the base rental period. These costs are adjusted to reflect changes in operations or changes in operating costs from the base. The financial position of the program is also considered during the rate development process in order to maintain a working capital balance that will not exceed the 60-day maximum working capital balance requirement.

The 1999 legislature approved 60-day working capital rates for all vehicles and equipment provided by the program. The Equipment Program is requesting that the legislature approve a 60-day working capital rate for the 2003 biennium.

Report on Internal Service & Enterprise Funds, 2003 Biennium

Fund Number	Fund Name	Agency Number	Agency Name	Program Name
06508	Highway Equipment - Internal Service	5401	Department of Transportation	

Fund Balance Information

	FY96	FY97	FY98	FY99	FY00	Estimated FY01	Estimated FY02	Estimated FY03
Beginning Retained Earnings	39,849,293	39,506,641	40,427,974	38,748,613	39,935,458	28,331,024	28,425,921	28,870,115
Increases								
Fee Revenue	13,445,869	16,570,149	14,558,757	16,116,523	15,543,287	16,809,659	18,985,695	19,051,232
Investment Earnings	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Miscellaneous, operating	310,525	189,916	123,333	68,941	2,015	-	-	-
Miscellaneous, other	264,419	182,718	403,229	104,951	136,764	100,000	100,000	100,000
Total Increases	14,020,813	16,942,783	15,085,319	16,290,415	15,682,066	16,909,659	19,085,695	19,151,232
(Decreases)								
Personal Services	4,123,205	4,319,740	4,390,961	4,609,577	4,919,629	4,985,991	5,157,491	5,186,658
Operations	10,208,680	11,701,710	10,212,998	10,497,393	12,226,870	11,828,771	13,484,010	13,489,132
Transfers Out	-	-	-	-	-	-	-	-
Miscellaneous, operating	-	-	-	-	-	-	-	-
Miscellaneous, other	-	-	-	-	16,131	-	-	-
Total Decreases	14,331,885	16,021,450	14,603,959	15,106,970	17,162,630	16,814,762	18,641,501	18,675,790
Adjustments to Beginning Retained Earnings	(31,580)	-	(2,160,721)	3,400	(10,123,870)	-	-	-
Ending Retained Earnings	39,506,641	40,427,974	38,748,613	39,935,458	28,331,024	28,425,921	28,870,115	29,345,557
Total Contributed Capital	1,957,155	2,600,979	2,670,817	2,796,642	7,138,843	19,248,692	19,248,692	19,248,692
Total Fund Equity	41,463,796	43,028,953	41,419,430	42,732,100	35,469,867	47,674,613	48,118,807	48,594,249
Unreserved Fund Balance								
60 Days of Expenses (i.e. total of personnel services, operations, and miscellaneous operating divided by 6)	2,388,648	2,670,242	2,433,993	2,517,828	2,857,750	2,802,460	3,106,917	3,112,632

Fee/Rate Information for Legislative Action:

-----Estimated-----

Requested Rates for Internal Service

Funds

The fee charges will not be done till the actual Fiscal Year the rates pertain to. These rates will be supported by the EMS system. This same procedure has been used current with past practice.
The Equipment program may charge rates necessary to establish and maintain a 60 day working capital balance to operate the program.

Significant Present Law

PL1: Vehicle Equipment Replacement - The executive recommends funding to replace fleet equipment items that are projected to be at the end of their economic lives during the 2003 biennium. This adjustment reflects a decrease from the base because the base included equipment purchases to startup the secondary roads maintenance program. These purchases will not be needed in the 2003 biennium. The department replaces equipment units when the economic life of the unit has been reached. The end of economic life is the point when it is more cost effective to replace the unit than to repair it. The program addresses replacement requirements in three major groups: 1) light-duty core equipment; 2) heavy-duty core equipment; and 3) other specialized equipment.

- ?? Light-duty core equipment includes: cars, pickups, and other passenger type units used by department programs for the transportation of personnel in the performance of their duties.
- ?? Heavy-duty core equipment includes: units used for snow removal, such as plow trucks with sanders and plows, motor patrols used to cut ice pack in the winter or blade roadway surfaces in the summer, snow blowers used to remove large drifts from the roadway or to load snow into trucks when snow has to be hauled from urban streets; loaders used to load sand in the winter and other aggregates in the summer; and deicing chemical storage and dispensing units.
- ?? Other specialized equipment includes mowers, trailers, sweepers, and safety equipment such as arrow and message boards.

PL2: Adjustment in Operating Expenses - This adjustment would fund an increase in operating costs rising as a direct result from the assumption of maintenance responsibilities for paved secondary roads. The program purchased equipment items including mowers, loaders, crack sealers, graders, 92 tandem trucks, truck and loader mounted snow blowers, and trailers to accommodate the various department programs affected by the secondary road program. These purchases would increase the base budget amount to operate and maintain the increased fleet size. Adjustments are for operating items such as: fuel, oil, filters, lube changes, mower blades, and cutting edges.

PL3: Overtime for Equipment - The executive requests overtime and differential pay at the base level plus associated benefits.

New Proposals

NP1: New Equipment/Motor Pool Management - The executive recommends replacing the Equipment Management System (EMS) with a new management system integrated with the Motor Pool Management System (MPMS). The EMS resides on a computer environment that is obsolete and cannot easily be adapted to new technology. The system would be replaced with a system that uses current computer technology and standards.

NP2: Vehicle & Equipment Mechanics - This request would fund the addition of 2.00 FTE grade 10, machinist/mechanics to address workload issues resulting from the equipment fleet expansions to support the expanded federal-aid construction program and the assumption by the department of maintenance on paved secondary roads. The Equipment Program fleet has increased by approximately 50 vehicles to meet the needs of the expanded federal-aid construction program. The assumption of maintenance on paved secondary roads will add approximately 150 more units to the fleet. This request would provide staff to maintain equipment added to support these programs.

Language Recommendations

“The equipment program may charge rates necessary to establish and maintain a 60-day working capital balance to operate the program.”

Program Proposed Budget									
Budget Item	Base Budget Fiscal 2000	PL Adjustment Fiscal 2002	Base New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Adjustment Fiscal 2003	Base New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03	
FTE	112.63	0.00	0.00	112.63	0.00	0.00	112.63	112.63	
Personal Services	3,958,614	158,627	0	4,117,241	181,505	0	4,140,119	8,257,360	
Operating Expenses	839,889	62,793	19,200	921,882	63,974	13,000	916,863	1,838,745	
Equipment	0	0	0	0	0	0	0	0	
Total Costs	\$4,798,503	\$221,420	\$19,200	\$5,039,123	\$245,479	\$13,000	\$5,056,982	\$10,096,105	
State/Other Special	4,798,503	221,420	19,200	5,039,123	245,479	13,000	5,056,982	10,096,105	
Total Funds	\$4,798,503	\$221,420	\$19,200	\$5,039,123	\$245,479	\$13,000	\$5,056,982	\$10,096,105	

Program Description

The Motor Carrier Services Division enforces state and federal commercial motor carrier laws including laws on vehicle size and weight, insurance, licensing, fuel, and vehicle and driver safety. The Licensing and Permit Bureau registers interstate fleet vehicles, issues commercial vehicle licenses, issues oversize/overweight permits, and collects and distributes fees and taxes. The Enforcement Bureau operates a statewide weigh station and mobile enforcement program and assigns uniformed officers to inspect commercial vehicles for compliance with state and federal safety, registration, fuel, insurance and size/weight laws.

Funding

The Motor Carrier Services Division is funded by the highways state special revenue fund, which receives revenue from highway user fees such as motor fuel taxes and gross vehicle weight fees.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				219,670					243,256
Vacancy Savings				(113,348)					(114,056)
Inflation/Deflation				2,312					3,334
Fixed Costs				(270)					(270)
Total Statewide Present Law Adjustments				\$108,364					\$132,264
DP 1 - Overtime/Differential									
0.00	0	52,305	0	52,305	0.00	0	52,305	0	52,305
DP 2 - Credit Card Charge Fees									
0.00	0	20,000	0	20,000	0.00	0	20,000	0	20,000
DP 3 - Enforcement Minor Equipment									
0.00	0	9,288	0	9,288	0.00	0	9,288	0	9,288
DP 4 - MCS Repair & Maintenance Increase									
0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
DP 5 - Equipment Rental									
0.00	0	21,463	0	21,463	0.00	0	21,622	0	21,622
Total Other Present Law Adjustments									
0.00	\$0	\$113,056	\$0	\$113,056	0.00	\$0	\$113,215	\$0	\$113,215
Grand Total All Present Law Adjustments				\$221,420					\$245,479

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Overtime/Differential - The executive requests an adjustment for overtime and differential pay. This adjustment is based on a three-year average from fiscal 1997 through fiscal 1999 actual overtime and differential expenditures.

DP 2 - Credit Card Charge Fees - This adjustment would fund increases for credit card merchant fees resulting when motor carriers use credit cards to pay for licenses, registrations, and permits.

LFD COMMENT Base year credit card merchant fees were nearly \$32,000. This request is for an increase of 63 percent over the base. More motor carriers are purchasing permits using the Montana On-line Tax and Reporting System and more are making payments with credit cards. The 1999 legislature directed the program to provide a report to the legislature detailing the use of the Internet for permits, satisfaction of users with training on how to use the system, and the growth of credit card fees. For more on the reports required by the legislature, please refer to the heading titled "Reports Required by the 1999 Legislature" that is contained in Agency Discussion Section of this report.

DP 3 - Enforcement Minor Equipment - This adjustment would fund increases in the cost of replacement equipment used by motor carrier weigh station and mobile enforcement personnel.

DP 4 - MCS Repair & Maintenance Increase - The executive requests an adjustment to fund increases in the cost of maintaining and repairing static (permanent) scales, portable scales, slow-speed weigh-in-motion, high speed weigh-in-motion, and automated vehicle identification (AVI) equipment.

DP 5 - Equipment Rental - This request would fund the program's share of proposed increases to be made by the department's Equipment Program.

New Proposals										
Program	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 1 - IRP Clearinghouse Dues										
22	0.00	0	13,000	0	13,000	0.00	0	13,000	0	13,000
DP 2 - Laptop Computers for the MOVE Progr										
22	0.00	0	6,200	0	6,200	0.00	0	0	0	0
Total	0.00	\$0	\$19,200	\$0	\$19,200	0.00	\$0	\$13,000	\$0	\$13,000

New Proposals

DP 1 - IRP Clearinghouse Dues - This request would fund costs for the International Registration Plan (IRP) Clearinghouse.

LFD ISSUE The IRP Clearinghouse provides the capacity for electronic IRP fund transfer for participating jurisdictions. Montana was a pilot jurisdiction for the Clearinghouse Project and as such, federal funds paid for Montana's participation. The pilot phase has been completed; to continue participation the department must now pay for the service. The department states that failure to participate in the IRP Clearinghouse would keep Montana from achieving CVISN (Commercial Vehicle Information System Network) Level 1 Deployment Status. CVISN is a federal commercial vehicle safety initiative. The department further states that they have been informed that if a state fails to meet Level 1 Status, various sources of federal funds will no longer be available to the state.

The legislature may wish to request that the department clarify which and how much federal funds the state currently receives would be in jeopardy if Montana does not meet Level 1 Statute.

DP 2 - Laptop Computers for the MOVE Program - This request would fund the purchase of two laptop computers for the Mobile Officer Vehicle Enforcement (MOVE) program. The MOVE program involves a team of three Motor Carrier Services officers who would travel the state and use a travel trailer as a portable weigh station in areas where there are no fully staffed permanent weigh stations. The laptop computers would be used by the MOVE team to access the computer programs and databases used by permanent facilities to issue permits and conduct weight enforcement, safety inspections, and dyed fuel inspections.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Adjustment Fiscal 2002	Base New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Adjustment Fiscal 2003	Base New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	377,421	33,363	0	410,784	34,906	0	412,327	823,111
Operating Expenses	324,931	65,851	0	390,782	90,267	0	415,198	805,980
Equipment	1,105	18,500	0	19,605	10,000	0	11,105	30,710
Grants	58,550	641,450	0	700,000	(58,550)	0	0	700,000
Transfers	15,143	0	0	15,143	0	0	15,143	30,286
Total Costs	\$777,150	\$759,164	\$0	\$1,536,314	\$76,623	\$0	\$853,773	\$2,390,087
State/Other Special	712,150	738,664	0	1,450,814	56,123	0	768,273	2,219,087
Federal Special	65,000	20,500	0	85,500	20,500	0	85,500	171,000
Total Funds	\$777,150	\$759,164	\$0	\$1,536,314	\$76,623	\$0	\$853,773	\$2,390,087

Program Description

The Montana Aeronautics Division: 1) facilitates the maintenance of airports and the various components of airport infrastructure, including visual and electronic navigational facilities and flying aids; 2) fosters, promotes, and supervises aviation and aviation safety through educational efforts and programs; 3) registers aircraft and pilots in accordance with Montana laws and regulations; and 4) coordinates and supervises aerial search and rescue operations. In accordance with the maintenance and safety aspects of the division's purpose, it administers a loan and grant program to municipal governments to provide funding for airport improvement projects. The Aeronautics Board approves all loans and grant requests and advises on matters pertaining to aeronautics.

The division serves as a liaison between the State of Montana and various other entities including the U.S. Department of Transportation, the Federal Aviation Administration (FAA), other federal and state entities, and commercial airlines in order to assure the retention and continuation of airline service to the Montana's rural communities. The division is also responsible for operation of the air carrier airport at West Yellowstone and for 12 other state-owned airports.

Funding

The Aeronautics Program, excluding the operations of the West Yellowstone Airport, is funded by both state and federal special revenue funds. State special revenue funds are derived primarily from state aviation fuels taxes and aviation license fees. Federal special revenue funds comes from federal aviation administration grants. Operations of the West Yellowstone Airport are funded from an enterprise type proprietary fund with revenues that include local property taxes, rentals and leases, concession sales receipts, and landing fees. Because the proprietary funds do not require an appropriation, they are not included in the above table.

For the 2003 biennium, state special revenue provides 92.8 percent of the program's funding and federal special revenue provides the remaining 7.2 percent.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				36,725					38,316
Vacancy Savings				(11,362)					(11,410)
Inflation/Deflation				1,304					1,526
Fixed Costs				(5,081)					(4,542)
Total Statewide Present Law Adjustments				\$21,586					\$23,890
DP 1 - Overtime/Differential									
0.00	0	3,500	0	3,500	0.00	0	3,500	0	3,500
DP 2 - Airport Development Grants									
0.00	0	391,450	0	391,450	0.00	0	(58,550)	0	(58,550)
DP 3 - Increases Due to Recent Tax Legislation									
0.00	0	72,128	20,500	92,628	0.00	0	87,283	20,500	107,783
DP 4 - Airport Pavement Preservation Grant									
0.00	0	250,000	0	250,000	0.00	0	0	0	0
Total Other Present Law Adjustments									
0.00	\$0	\$717,078	\$20,500	\$737,578	0.00	\$0	\$32,233	\$20,500	\$52,733
Grand Total All Present Law Adjustments				\$759,164					\$76,623

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Overtime/Differential - The executive requests overtime and differential pay at the base level plus associated benefits.

DP 2 - Airport Development Grants - The executive recommends an adjustment to fund a grant program to municipalities for airport safety and development projects. This request is based upon applications received and funds available in an account statutorily designated for this purpose. The executive requests that the legislature designate funding for this request as a biennial appropriation.

LFD COMMENT	Funding for the grant program is provided by a \$0.04 per gallon tax on aviation fuel. Section 67-1-301, MCA, designates \$0.01 of this tax for providing grants to municipalities for airport development or improvement programs and to provide navigational aids, safety improvements, weather reporting services, and other aeronautical services for airports and landing fields and for the state's airways.
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DP 3 - Increases Due to Recent Tax Legislation - This adjustment would fund increases designed to restore programs reduced by the division during the base year due to a projected revenue shortfall.

LFD COMMENT	The revenue shortfall was the result of a technical oversight in legislation passed by the 1999 legislature, which increased aviation fuel tax by one-cent per gallon (SB 205). The oversight resulted in the fuel tax increase being applied only to a temporary section of law when a permanent tax increase was intended. The legislature made permanent the one-cent per gallon aviation fuel tax increase during the May 2000 special legislature by passing SB 11. This request would restore funding to the level authorized by the 1999 legislature.
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DP 4 - Airport Pavement Preservation Grant - This request would fund a grant program designed to assist with pavement preservation projects at airports that support commercial air-carriers. The executive requests that the legislature

designate funding for this request as a biennial appropriation.

**LFD
COMMENT**

Funding for the grant program is provided by a \$0.04 per gallon tax on aviation fuel. Section 67-1-301, MCA, designates that 25 percent of the amount collected from scheduled passenger air carriers is designated for the type of grants included in this request.

Proprietary Rates**Program Description**

The West Yellowstone Airport provides a fly-in gateway to the town of West Yellowstone. The airport is seasonal in operation and matches the peak tourist demand of the area from June 1st to September 30th. The airport serves as an Inter-Agency Fire Control Center and smoke jumpers and fire retardant bombers are located at the airport. Facilities include a terminal building that has as tenants a café, gift shop, two car rental agencies, a fixed based operation (FBO) serving general aviation, and Skywest Airlines. The operation of the West Yellowstone Airport is funded from an enterprise type proprietary fund.

Revenues and Expenses

Revenues for the operation of the West Yellowstone Airport are derived from landing fees, building space rental fees, fuel flowage fees, sales receipts, and non-aero rental fees. Expenses from the fund are for personal services for 1.29 FTE and operating expenses such as utilities, janitorial supplies, insurance, and facility maintenance.

The fund balance is being increased to meet the state match requirement for a planned Federal Airport Improvement Project.

The historical and projected revenues, expenses, retained earnings, and fund equity are presented in the Report of Internal Service & Enterprise Funds, 2003 Biennium for fund number 06007.

Rate Explanation

Fees for the services provided are market based. There are no increases planned in the 2003 biennium for landing fees, building fees, fuel flowage fees, sales receipts, and non-aero rentals. Because this is an enterprise type proprietary fund, the legislature does not approve rates.

Report on Internal Service & Enterprise Funds, 2003 Biennium

Fund Number	Fund Name	Agency Number	Agency Name	Program Name
06007	West Yellowstone Airport	5401	Department of Transportation	

Fund Balance Information

	FY96	FY97	FY98	FY99	FY00	Estimated FY01	Estimated FY02	Estimated FY03
Beginning Retained Earnings	244,515	(702,623)	(673,792)	(660,344)	(641,200)	(589,642)	(580,250)	(557,425)
Increases								
Fee Revenue	9,322	34,323	43,516	41,868	8,341	8,000	8,000	8,000
Investment Earnings	-	-	-	-	-	-	-	-
Transfers In	17,115	30,166	16,199	18,100	-	-	-	-
Miscellaneous, operating	78,273	56,140	57,149	60,997	129,432	133,300	130,000	130,000
Miscellaneous, other (Note 1)	-	-	-	-	-	94,703	-	-
Total Increases	104,710	120,629	116,864	120,965	137,773	236,003	138,000	138,000
(Decreases)								
Personal Services	27,293	39,774	38,346	36,120	38,821	28,555	49,752	50,069
Operations	104,260	52,024	56,207	65,701	42,414	198,056	65,423	65,343
Transfers Out	-	-	-	-	-	-	-	-
Miscellaneous, operating	-	-	-	-	-	-	-	-
Miscellaneous, other	-	-	1,029	-	-	-	-	-
Total Decreases	131,553	91,798	95,582	101,821	81,235	226,611	115,175	115,412
Adjustments to Beginning Retained Earnings	(920,295)	-	(7,834)	-	(4,980)	-	-	-
Ending Retained Earnings	(702,623)	(673,792)	(660,344)	(641,200)	(589,642)	(580,250)	(557,425)	(534,837)
Total Contributed Capital	1,346,111	1,351,111	1,345,111	1,345,111	1,345,111	1,345,111	1,345,111	1,345,111
Total Fund Equity (Note 2)	643,488	677,319	684,767	703,911	755,469	764,861	787,686	810,274
Unreserved Fund Balance								
60 Days of Expenses (i.e. total of personnel services, operations, and miscellaneous operating divided by 6)	21,926	15,300	15,759	16,970	13,539	37,769	19,196	19,235

Note 1: Federal grant funds for airport facility/apron maintenance and upgrades

Note 2: The runway and related improvements are not included. To date these have been viewed as infrastructure and are not recorded on SABHRS.

Fee/Rate for Legislative Action: NA - this is an Enterprise Fund

FEE/CHARGE DESCRIPTION		FY96	FY97	FY98	FY99	FY00	FY01	-----Estimated----- FY02	-----Estimated----- FY03	AUTHORITY
		FEE/CHARGE	FEE/CHARGE	FEE/CHARGE	FEE/CHARGE	FEE/CHARGE	FEE/CHARGE	FEE/CHARGE	FEE/CHARGE	
Landing Fees - Scheduled Air Carriers		\$0.50/1000 lbs	\$0.50/1000 lbs	\$0.50/1000 lbs	\$0.50/1000 lbs	\$0.50/1000 lbs	\$0.50/1000 lbs	\$0.50/1000 lbs	\$0.50/1000 lbs	Market Based
Landing Fees - Other Uses	11,000-31,250 lbs	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	Market Based
Landing Fees - Other Uses	>31,250 lbs	\$0.80/1000 lbs	\$0.80/1000 lbs	\$0.80/1000 lbs	\$0.80/1000 lbs	\$0.80/1000 lbs	\$0.80/1000 lbs	\$0.80/1000 lbs	\$0.80/1000 lbs	Market Based
Fuel Flowage Fees (0015)		\$0.06/gallon	\$0.06/gallon	\$0.06/gallon	\$0.06/gallon	\$0.06/gallon	\$0.06/gallon	\$0.06/gallon	\$0.06/gallon	Market Based
Building Leases - Car Rental	per month	\$1.55/sq.ft.	\$1.55/sq.ft.	\$1.55/sq.ft.	\$1.55/sq.ft.	\$1.55/sq.ft.	\$1.55/sq.ft.	\$1.55/sq.ft.	\$1.55/sq.ft.	Market Based
Building Leases - FBO's & Tours	per month	\$1.2975/sq.ft.	\$1.2975/sq.ft.	\$1.2975/sq.ft.	\$1.2975/sq.ft.	\$1.2975/sq.ft.	\$1.2975/sq.ft.	\$1.2975/sq.ft.	\$1.2975/sq.ft.	Market Based
Building Leases - Airlines	per month	\$1.8908/sq.ft.	\$1.8908/sq.ft.	\$1.8908/sq.ft.	\$1.8908/sq.ft.	\$1.8908/sq.ft.	\$1.8908/sq.ft.	\$1.8908/sq.ft.	\$1.8908/sq.ft.	Market Based
Building Leases - U/G Storage	per month	\$0.025/sq. ft.	\$0.025/sq. ft.	\$0.025/sq. ft.	\$0.025/sq. ft.	\$0.025/sq. ft.	\$0.025/sq. ft.	\$0.025/sq. ft.	\$0.025/sq. ft.	Market Based
Building Leases - Hanger Ground	per year	\$0.05/sq.ft.	\$0.05/sq.ft.	\$0.05/sq.ft.	\$0.05/sq.ft.	\$0.05/sq.ft.	\$0.05/sq.ft.	\$0.05/sq.ft.	\$0.05/sq.ft.	Market Based
Tax Transfer		\$15,000 est.	\$15,000 est.	\$15,000 est.	\$15,000 est.	\$15,000 est.	\$15,000 est.	\$15,000 est.	\$15,000 est.	15-23-106 MCA
Sales Receipts - Car Rental		10% of gross	10% of gross	10% of gross	10% of gross	10% of gross	10% of gross	10% of gross	10% of gross	Market Based
Sales Receipts - Café/Gift Shop		5% of gross	5% of gross	5% of gross	5% of gross	5% of gross	5% of gross	5% of gross	5% of gross	Market Based
Miscellaneous Sales		Various	Various	Various	Various	Various	Various	Various	Various	Market Based
Non-Aero Rentals - Nevada Testing	per year (Note 3)	\$5,400/year	Prior yr + CPI-U	Prior yr + CPI-U	Prior yr + CPI-U	\$17,200/yr	\$10,270/yr	Prior yr + CPI-U	Prior yr + CPI-U	Market Based
Non-Aero Rentals - City of WYS	per year	\$4,600/year	\$9,600/year	\$9,600/year	\$9,600/year	\$9,600/yr	\$9,600/year	\$9,600/year	\$9,600/year	Market Based
Non-Aero Rentals - Energy West	per year/acre (Note 4)	\$2,375/acre	Prior yr + CPI-U	Prior yr + CPI-U	Prior yr + CPI-U	\$10,493/yr	\$10,776/yr	Prior yr + CPI-U	Prior yr + CPI-U	Market Based

Note 3: The normal base fee is \$10,000 plus CPI-U, but in FY2000 there was a one-time excessive use for an additional \$7,200.

Note 4: Beginning in FY 2001, CPI-U is assumed to be 2.7% per year for estimating purposes.

Significant Present Law

PL5: West Yellowstone Airport Improvements - This funding is for a terminal building lighting upgrade and the costs associated with implementing rules proposed by the Federal Aviation Administration (FAA) that would affect certification of airports.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Adjustment Fiscal 2002	Base New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Adjustment Fiscal 2003	Base New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	69.60	0.00	3.00	72.60	0.00	2.25	71.85	71.85
Personal Services	2,628,094	161,530	82,442	2,872,066	175,972	64,696	2,868,762	5,740,828
Operating Expenses	572,623	1,492,841	1,043,838	3,109,302	811,719	629,171	2,013,513	5,122,815
Equipment	40,320	0	0	40,320	0	0	40,320	80,640
Grants	3,284,541	412,658	0	3,697,199	522,549	0	3,807,090	7,504,289
Total Costs	\$6,525,578	\$2,067,029	\$1,126,280	\$9,718,887	\$1,510,240	\$693,867	\$8,729,685	\$18,448,572
State/Other Special	1,691,313	567,240	339,112	2,597,665	284,675	85,609	2,061,597	4,659,262
Federal Special	4,834,265	1,499,789	787,168	7,121,222	1,225,565	608,258	6,668,088	13,789,310
Total Funds	\$6,525,578	\$2,067,029	\$1,126,280	\$9,718,887	\$1,510,240	\$693,867	\$8,729,685	\$18,448,572

Program Description

The Transportation Planning Division provides: 1) an inventory of transportation infrastructure to allocate funds, maintain Department of Transportation eligibility for grant and federal funds, and aid in the process of project prioritization and selection; 2) a statewide planning program and assistance to local area transportation planning; and 3) response to legislative or regulatory actions necessitating representation before courts, congressional hearings, the US Department of Transportation, the Surface Transportation Board, and others. This planning results in a program that includes buses for transit systems, street and highway improvements, railroad track rehabilitation, and transportation enhancements for non-motorized and beautification improvements.

Funding

The Transportation Planning Division is funded with a combination of state and federal special revenue funds. Transit grants are generally fully funded (100 percent) with Federal Transit Administration funds. However, if a match is required it is provided by the local entity receiving services or on a rare occasion with highways state special revenue funds. The remaining division activities are funded with federal planning and research funds and state special revenue funds at a ratio that has averaged approximately 74 percent federal and 26 percent state special revenue. State special revenue funds include \$250,000 in local match pass-through authority per year.

LFD ISSUE

Funding in this program increases by nearly 49.0 percent in fiscal 2002 and 33.8 percent in fiscal 2003 when compared to the base. Three adjustments account for roughly 35.6 percent of the fiscal 2002 increase and 27.5 percent of the fiscal 2003 increase. Table 50A summarizes the significant changes included in the budget request for this program.

Table 50A Significant Budget Increases				
	Fiscal 2002		Fiscal 2003	
	Amount	Change	Amount	Change
Base	\$ 6,525,578		\$ 6,525,578	
Total Budget	9,718,887	48.94%	8,729,685	33.78%
Increase	\$ 3,193,309.00		\$ 2,204,107.00	
Accounting Policy Change (PL 6)	\$ 928,100	14.22%	\$ 543,000	8.32%
TEA-21 Funding Increase (PL 7)	644,261	9.87%	754,505	11.56%
Statewide Truck Activity Reporting System (NP 3)	<u>746,280</u>	<u>11.44%</u>	<u>496,867</u>	<u>7.61%</u>
Total of largest three adjustments	<u>\$ 2,318,641</u>	<u>35.53%</u>	<u>\$ 1,794,372</u>	<u>27.50%</u>
Remaining adjustments	\$ 874,668	13.40%	\$ 409,735	6.28%

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				229,594					244,482
Vacancy Savings				(78,297)					(78,743)
Inflation/Deflation				5,542					9,136
Fixed Costs				(2,212)					(2,212)
Total Statewide Present Law Adjustments				\$154,627					\$172,663
DP 1 - Urban Planning Program									
0.00	0	24,324	95,676	120,000	0.00	0	24,324	95,676	120,000
DP 3 - Overtime/Differential									
0.00	0	2,960	6,273	9,233	0.00	0	2,960	6,273	9,233
DP 4 - Great Falls Bike/Ped. Facility Improvement Project									
0.00	0	10,765	39,235	50,000	0.00	0	10,765	39,236	50,001
DP 5 - Software and Field Data Collection									
0.00	0	91,410	208,590	300,000	0.00	0	0	0	0
DP 6 - Adjustment Required by Accounting Policy Changes									
0.00	0	286,757	641,343	928,100	0.00	0	166,809	376,191	543,000
DP 7 - TEA 21 Funding Increases									
0.00	0	102,917	541,344	644,261	0.00	0	96,085	658,420	754,505
DP 8 - Federal Grant Closure									
0.00	0	0	(155,094)	(155,094)	0.00	0	0	(155,191)	(155,191)
DP 9 - Equipment Rental									
0.00	0	8,031	7,871	15,902	0.00	0	8,095	7,934	16,029
Total Other Present Law Adjustments									
0.00	\$0	\$527,164	\$1,385,238	\$1,912,402	0.00	\$0	\$309,038	\$1,028,539	\$1,337,577
Grand Total All Present Law Adjustments				\$2,067,029					\$1,510,240

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Urban Planning Program - This adjustment would fund contracted services to conduct transportation plan updates in the smaller urban areas. Included in this request would be small-scale transportation studies conducted in outlying urban communities. Funding would be used for studies in Anaconda, Polson, and Helena during the 2003 biennium.

LFD COMMENT	The 1999 legislature approved funding for urban transportation plan updates during the 2001 biennium, but designated the appropriation as one-time-only. The department has stated that this should be an ongoing part of the program funding since federal funds are designated in each annual apportionment to conduct urban transportation plan updates.
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DP 3 - Overtime/Differential - The executive requests overtime and differential pay at the base level plus associated benefits.

DP 4 - Great Falls Bike/Pedestrian Facility Improvement Project - The executive requests funding for a congestion management and air quality project within the City of Great Falls. Funds would be used to improve bicycle and pedestrian facilities in Great Falls.

DP 5 - Software and Field Data Collection - This request would fund the development of data management software and provide for contracted services to hire a consultant to assist in field data collection of infrastructure information for use in the Highway Performance Monitoring System. The Transportation Planning Program would collaborate with other programs in the department to develop this system. The executive has requested that the legislature designate funding for this request as a biennial appropriation.

**LFD
ISSUE****One-Time-Only Appropriation**

This request is for the one-time development of software to manage data that would profile state transportation infrastructure and allow reporting at varying levels of detail. The request would also fund contracted services to gather the data, which would be entered into a database that would be managed by the software. The department has stated that once the software was developed and the data was collected and entered, existing staff would continue to maintain the data and system. Since this request is for a one-time cost that would not be ongoing, it is recommended that an appropriation approved by the legislature should be designated as one-time-only.

Unified Computer Budget Summary

The General Appropriations Act of 1999 contained language directing the executive to present information technology (IT) budget information in a format recommended by the Legislative Finance Committee (LFC). The LFC took formal action and provided recommendations for the executive presentation of IT budget information. The LFC recommendations included a list of expenditure objects that should have been used for recording IT expenditures during the base year and for IT budget requests for the 2003 biennium. This request is for development of the IT system that should have been budgeted using one of the objects identified by the LFC, but which was recorded using a non-IT expenditure object. As such, tables prepared by the executive that summarize IT budget requests are low by \$300,000 for the 2003 biennium because of the error associated with this request.

DP 6 - Adjustment Required by Accounting Policy Changes - The Executive Budget includes funding increases for consultant services. This request would fund a budget deficit that resulted from an accounting policy change made by the department to address a Legislative Audit finding.

**LFD
COMMENT**

For more information on the accounting policy change and the impacts of the policy change on the agency budget, please refer to the related discussion provided in the Agency Issues Section of this report.

DP 7 - TEA 21 Funding Increases - The executive recommends funding transportation planning activities that have increased as a direct result of an increase in federal-aid construction funding. The increase would primarily be used to provide grants to cities and local agencies to: 1) perform transportation related planning activities; 2) purchase vehicles for the elderly and disabled; 3) provide intercity bus transportation; 4) provide operating and capital assistance to communities that operate rural general public transportation systems; and 5) provide financial assistance to non-urban areas to plan, develop, and improve comprehensive public mass transportation systems. This adjustment would also fund increases in program costs associated with administering grants and with new public involvement processes.

DP 8 - Federal Grant Closure - The Executive Budget includes a reduction of authority to reflect several federal grants that will be closed during the current biennium and will not continue into the 2003 biennium.

DP 9 - Equipment Rental - This request would fund the program's share of proposed increases in the department's Equipment Program.

New Proposals										
Program	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 1 - Performance Programming Implementation										
50	0.00	0	12,000	48,000	60,000	0.00	0	12,000	48,000	60,000
DP 2 - Planning Processes/Requirements										
50	0.00	0	24,000	96,000	120,000	0.00	0	24,000	96,000	120,000
DP 3 - Statewide Truck Activity Reporting System (STARS)										
50	3.00	0	173,212	573,068	746,280	2.25	0	115,323	381,544	496,867
DP 4 - TranPlan 21 Public Involvement Survey										
50	0.00	0	0	0	0	0.00	0	3,400	13,600	17,000
DP 5 - City Park Rest Area Program										
50	0.00	0	200,000	0	200,000	0.00	0	0	0	0
DP 6 - Funding Adjustments										
50	0.00	0	(70,100)	70,100	0	0.00	0	(69,114)	69,114	0
Total	3.00	\$0	\$339,112	\$787,168	\$1,126,280	2.25	\$0	\$85,609	\$608,258	\$693,867

New Proposals

DP 1 - Performance Programming Implementation - The executive requests fund consultant services to complete the development of the performance programming process, which would use existing department management systems to rank construction projects based on predicted system performance for different funding levels.

DP 2 - Planning Processes/Requirements - This request would fund increases anticipated by the department related to planning regulations promulgated by the Federal Highway Administration (FHWA). The department anticipates that these regulations will include new requirements for environmental justice, environmental review at the planning level, and enhanced consultative processes.

DP 3 - Statewide Truck Activity Reporting System (STARS) - The executive recommends funding to add 3.00 FTE in fiscal 2002 and 2.25 FTE in fiscal 2003; and nearly \$815,000 for contracted services, along with nearly \$175,000 in travel to expand, evaluate, and maintain the Statewide Truck Activity Reporting System (STARS) program. Contracted services would be used for effectiveness evaluations of key system components and of the system as a whole. A new weigh-in-motion (WIM) site would be installed at the Haugan weigh station. Travel expenses would allow department and Montana Highway Patrol personnel to attend a series of three commercial vehicle workshops, which are required in order to receive federal grant authority. Travel expenses would also allow department personnel to attend annual user group meetings for the system software.

This request would add 1.00 FTE in fiscal 2002 (0.75 FTE in fiscal 2003) grade 14, electronic equipment technician; 1.00 FTE in fiscal 2002 (0.75 FTE in fiscal 2003) grade 11, traffic technician; and 1.00 FTE in fiscal 2002 (0.75 FTE in fiscal 2003) grade 9, planning technician.

LFD COMMENT

The Statewide Truck Activity Reporting System (STARS) projects received earmarked congressional funds beginning in fiscal 1999. The Intelligent Transportation Systems (ITS) funds are an additional appropriation of federal dollars above the standard apportionment of federal highway funds provided to Montana by the passage of the Transportation Equity Act for the 21st Century (TEA 21). The STARS program gathers heavy truck data on Montana's highways. This data provides information on the frequency and location of overweight vehicles operating on state highways. The department uses the data to manage weight enforcement practices and pavement designs. The system is used to reduce pavement damage and to increase pavement life by reducing instances of overweight vehicles.

The 1999 legislature approved a one-time-only appropriation for funding to add 2.0 FTE during the 2001 biennium and funding in operating expenses equivalent to 2.0 FTE to obtain modified FTE if the workload increased as anticipated. This request would provide funding for the 2003 biennium with which to continue the temporary staffing added by the one-time-only appropriation approved by the 1999 legislature.

**LFD
ISSUE****One-Time-Only Appropriation**

This funding provides for system development costs that are not projected to continue beyond the 2003 biennium. The department has stated that ongoing costs would be funded with existing Statewide Planning and Research (SPR) funds. Since funding is for one-time costs that would not be ongoing, it should be designated as a one-time-only appropriation.

Unified Computer Budget Summary

The General Appropriations Act of 1999 contained language directing the executive to present information technology (IT) budget information in a format recommended by the Legislative Finance Committee (LFC). The LFC took formal action and provided recommendations for the executive presentation of IT budget information. The LFC recommendations included a list of expenditure objects that should have been used for recording IT expenditures during the base year and for IT budget requests for the 2003 biennium. This request contains \$171,000 funding for development and enhancements of IT systems that should have been budgeted using one of the objects identified by the LFC, but which was recorded using a non-IT expenditure object. As such, tables prepared by the executive that summarize IT budget requests are low by \$171,000 for the 2003 biennium because of the error associated with this request.

DP 4 - TranPlan 21 Public Involvement Survey - The Executive Budget includes a request to fund contracted services to conduct a statewide random sample telephone survey to measure public opinions on transportation issues. The results would be compared to the results of surveys conducted in fiscal years 1994, 1997, and 1999, and used to monitor changes in public satisfaction levels relative to department programs and projects.

DP 5 - City Park Rest Area Program - This request would fund contracted services to develop additional city park rest areas. Potential locations for new city park rest areas include: Hamilton, White Sulphur Springs, and Baker. The executive has requested that the legislature designate funding for this request as a biennial appropriation.

**LFD
COMMENT**

The City Park Rest Area Program (CPRA) was initiated in 1991 to address the lack of rest areas on the Montana Primary Highway System, identified in the Long-Range Rest Area Plan adopted by the Montana Transportation Commission. This state-funded program provides up to \$100,000 per site to build or improve local park facilities to serve as rest areas not located on Interstates, the National Highway System, and primary routes. In exchange for the funding, communities agreed to maintain the rest area facilities for a minimum of 10 years and to keep them open 24 hours a day during peak travel season from the middle of April to the middle of November. Since the inception of this program, 14 rest areas have been built. The department would use this funding to develop additional areas and to encourage communities with existing areas to extend the original agreements in order to provide continued service to the public.

DP 6 - Funding Adjustments - The executive requests to shift funding from state special revenue to federal special revenue to more appropriately match funding anticipated for the 2003 biennium.

Language Recommendations

The following language is recommended for HB 2:

"All appropriations in the transportation planning program are biennial."